WEATHER DATA APPEAR ON PAGE 18

Moscow Talks Fail To Reverse Soviet Olympics Boycott

By John F. Burns

MOSCOW - An international Olympics official met in Moscow on Saturday with the leading Soviet sports administrator, but appeared to have made little progress in re-versing Moscow's decision to withdraw from the Olympic Games in Los Angeles this summer.

Three more Soviet allies, Czechoslowakia, Laos and Afghan-istan announced that they would not send teams to the Games. bringing to seven the number of

nations joining Moscow. [Games officials in Los Angeles said Saturday that China said it would definitely send a team, Renters reported. A letter accepting an invitation to attend the games was handed to Charles Lee, an Olym-

pics official in Beijing
[The Nicaraguan Olympic Committee confirmed Friday that the country would participate but said it would review the decision "if developments occur that merit it," The Associated Press reported from Managua.]

In Moscow, Mario Vázquez Rana of Mexico, who heads the Association of National Olympic Committees, said Marat V. Gramov, chairman of the Soviet National Olympic Committee, had been "very eager to listen" to the reasons advanced for Soviet participation in the two-hour meeting. Mr. Vazquez said Mr. Gramov had not given any indication that Moscow was ready to reconsider.

Mr. Vazquez, wnose visit was scheduled before the Soviet Union's decision to withdraw, arrived with messages from Juan Antonio Samaranch of Spain, who is

By Clyde Haberman

Ven Yerk Times Service

that it carried make its own timeta-

ble for strengthening its armed forces sufficiently to resist foreign

The acknowledgment came last week, when the National Defense

Council, an ad noc body of Cabinet

ministers headed by Prime Minis-

ouildup, postponing until early

1991 the acquisition of weapons

that were to have been in operation

It was no surprise that Japan had

fallen behind schedule, but until

now the government had not taken

formal notice of the fact. Since

1976 Japan has had fundamental

guidelines specifying the weapons

and troop strength needed to meet

its target of "acquiring the ability to repulse limited small-scale for-

nomic growth at U.S. expense.

should determine its own military

TOKYO — Japan has conceded

president of the International Olympic Committee. Mr. Samaranch has said that he would like to see Konstantin U. Chernenko, the Soviet leader, before a meeting of his committee board in Lausanne,

Switzerland, on Friday. "I advanced thousands of reasons for Soviet participation in the Games." Mr. Vázquez said, "Mr. Gramov gave many reasons for So-

Tass, described the meeting as a "frank talk." It made no mention of Mr. Vazquez's efforts to win a reversal, but said Mr. Gramov had "set forth the motives" behind the

After the Soviet Union anounced its decision, Bulgaria and East Germany said they would not attend. On Friday, Vietnam and Mongolia followed suit.

Western diplomats believe that the Soviet decision was made by the Politburo on political grounds. Reports circulating in the diplomatic community say that a hard-line faction demanded the pullout as a rebuff to the Reagan administration and that pledges about the security of athletes, the issue given by the Soviet Union for withdrawing, are not likely to make much

On Friday, Tass carried a commentary scorning a letter in which President Ronald Reagan assured Mr. Samaranch about the safety of

Soviet newspapers on Friday be-gan to give front-page display to commentaries, readers' letters and news from abroad that supported the reasons for withdrawal.

Komsomolskaya Pravda, the (Continued on Page 2, Col. 6)

goals. "We're not here to tell any-

body how well they've done or how

Japan Delays Arms Plan

But U.S. Remains Silent

approved a

Fighting Resumes In Beirut

Battle Follows Children's March

BEIRUT — At least nineteen persons were killed in weekend fighting in and around Beirut that began hours after hundreds of Lebanese children marched through the capital to appeal for peace.
Mortar and rocket-propelled grenade exchanges persisted Sunday.
Sources close to Prime Minister

Rashid Karami contended that the fighting was aimed at blocking the work of his newly formed cabinet, which is composed of Moslems and Christians.

Sources quoted by government radio said that Mr. Karami was determined that the continual violations of the cease-fire would not distract his government from reor-ganizing the Lebanese Army. Informed sources cited by the

state radio quoted Mr. Karami as saying: "The most important problem that needs to be dealt with is that of the army."
Mr. Karami, 62, had pledged earlier to reunite the army and de-

fine its role. The 37,000-member, U.S.-trained army has split along sectarian lines during the last eight mouths of the civil war. It is dominated by Christian officers.

Meanwhile, Lebanon's Druze Moslem leader, Walid Jumblat, said in an interview published Sunday that the Lebanese must act quickly to solve their political differences or "Lebanon is over." In southern Lebanon, attackers

fired a rocket-propelled grenade at an Israeli patrol in the coastal city of Sidon, wounding Israeli soldiers, according to witnesses. An Israeli military spokesman said there were

Police said 18 persons were killed and 70 wounded on Saturday in the worst outbreak of hostilities in a week. The fighting subsided at dawn Sunday, but resumed around noon when mortar fire hit the Christian suburb of Ain el-Rummaneh, killing one person and wounding two.

children paused for a moment of

silence and a prayer for peace. Only

a few hours later, though, heavy

artillery again began to reverberate through the area.

On Saturday, political analysts with ties to several of the factional

leaders reported that a strong rift

had already developed in Mr. Kar-

ami's cabinet, perhaps precipitat- American professor and Fulbright

ing Saturday's outbreak of shelling. scholar, that Hanoi would continue

■ Children's March

poorly they've done," he said. It was the second consecutive Eurlier, J. Michae: Kennedy of the day that a senior member of the Los Angeles Tunes reported from U.S. administration visiting Tokyo

declined to criticize Japan on issues The children who took part in Saturday's peace march did so in that elicited attacks in the past. On Thursday Vice President mostly Moslem West Beirnt, walk-George Bush urged Japan to do ing down the main shopping street more to make the yen more widely of Hamra. used in international transactions.

His remarks, however, had none of children, who carried out a kind of the sting of denunciations made macabre street theater. Young boys here in March by Treasury Secreplayed the role of militiamen, danctary Donald T. Regan, who acing along with toy machine guns, cused the Japanese of an "intoler- and others carried large papier maable" lack of action on financial ché dolls. The children originally tried to

Some Japanese analysts suspectconduct their march on May 5 but ed that the low-key posture had were prevented by heavy shelling election-year overtones. It is widely that battered much of West Beirut. believed here that President Ron-Organizers of an adult peace ald Reagan hopes his close rela-tionship with Mr. Nakasone may march, also canceled by the fight-ing a week ago, said they had no blunt the political consequences of his foreign policy difficulties elseplans for rescheduling the event. At the end of their march, the

Mr. Weinberger said, "We all The relatively slow pace of the mulitary buildup has led to persishave to do more — the United tent U.S. criticism that Japan has States, NATO, Japan, Korea, evenjoyed a "free ride" on defense, eryone" — to counter a Soviet milipermitting it to concentrate on ecotary threat that he called "very real and growing." But he added. "How much more is obviously a matter of But Defense Secretary Caspar W. Weinberger, on a stopover in Tokyo, said on Friday that Japan determination for each country."

"We don't engage in criticism." (Continued on Page 2, Col. 5)

Vietnam Calls Cambodia Manageable Despite Growth of Resistance Forces By William Branigin its "annual partial withdrawals" of told Professor Turley, "The coali-troops from Cambodia to avoid tion has its ups and downs. These Washington Post Service

PHILIPPINE RALLY — Imelda R. Marcos, the wife of President Ferdinand E.

Marcos, campaigning with supporters in Manila. Filipinos vote in elections today. Page 4.

HANOI - Vietnamese leaders acknowledge that resistance groups battling their troops in Cambodia have gained strength, but they in-sist that the military situation is In a series of news conferences in

the past two weeks, senior Vietgovernment and military officials have shown uneasiness in discussing the five-year-old war in Cambodia, where 160,000 to 180,000 Vietnamese troops are bat-tling three Cambodian guerrilla groups. The officials mentioned that problems remained but hinted that Vietnamese inflatary activities could always be stepped up to deal

"Of course p: "blems are there," said General Hoang Van Thai, the vice minister of defense. "But they are not big problems because their

forces are not very great." minister in charge of economic affairs, conceded that "for a country that wants to rebuild; to have to send troops to another country affects the economy. Having the army stay abroad is a burden for

the local economy."

He added, however, that "for our economy to feed 150,000 men is not big burden, because army men live at a very low standard."

He indicated that the government could send in more troops if the resistance, especially the Communist Khmer Rouge guerrillas. "stage a comeback."

Mr. Phuong said "our army in Cambodia is just a tiny bit of the big armed forces in our country," estimated at more than one million. On the other hand, Vietnam's foreign minister, Nguyen Co Thach told William Turkey, a visiting

"getting bogged down forever" resistance forces are like mush-there. He said Vietnam would also rooms after the rain. They pop up avoid immediate and total withdrawal, which he said would allow the Khmer Rouge to return to pow-

Vietnamese invasion troops de-posed the Khmer Rouge government in January 1979 and installed a government under its control in the Cambodian capital, Phnom Penh. Since then the Khmer Rouge and two noncomm groups have formed a coalition to combat the Vietnamese occupa-

was growing stronger, Mr. Thach

and then disappear."

Although dismissive of the resistance, the statement went further than Mr. Thach's previous remarks in acknowledging some growth.

In a news conference called mainly to discuss the 1954 battle against French colonial forces at Dien Bien Phu, whose 30th armiversary Victnam celebrated May 7, General Thai dismissed questions about why Vietnamese forces had not captured the Ampil-based se-sistance group officialed by the izzued on PSE 2, Col. 4)

3 Punjab Curfews Issued

Paramilitary troops and police were ordered to shoot rioters on sight Sunday in one of the cities. Jullundur, as the rioting spread from Punjab to the neighboring

on a national guard patrol at a railroad station near the Sikh holy city of Amritsar and then escaped

Twenty-four-hour curfews were put into effect in Amritsar and Patiala until Tuesday. Jullundur was

gunmen killed the newspaper editor, who had written that Punjab state had become a slaughterhouse. The editor, Ramesh Chander, was shot by four men armed with submachine guns and pistols while

ously wounded in the ambush. The gunmen fled in a van. A Sikh group called the Desh-

Mr. Bhindranwale, 37, is a militant Sikh nationalist leader who has taken refuge from police in the Golden Temple at Amritsar. Last week, Pratap Singh, the for-

mer chief priest of the Sikh sect and a critic of Mr. Bhindranwale, was slain by Sikh gummen at his home

factory workers in surburban Amritsar, seriously wounding one, po-lice reported Sunday. The assailunts escaped.

Reacting to the killing of Mr. Chander, Prime Minister Indira Gandhi warned that the "campaign of terror" in Sikh-dominated Pun-

massive hunt had been launched for Mr. Chander's assassins. The police chief said that, al-

had claimed responsibility for the been issued from inside the Golden Temple, the holiest Sikh shrine and three cities in Punjab state over the seat of the Sikh militant movement weekend to quell Hindu rioting fol- for greater political and religious

The Sikhs, a minority in India. are a majority in Punjab. Mr. Chander, 58, became chief-

editor of the newspaper chain that publishes Punjab's largest-circula-tion Punjabi- and Urdu-language dailies after the assassination of his father in 1981.

Police reported that Hindu crowds in Inllunder set fire to a bank, a library, 15 Sikh-owned shops and 12 city buses over the

when he was hit by a firetruck. In Amritsar, police said they

seized a truck carrying a large quantity of arms and ammunition near the Golden Temple, and a Sikh leader said he would burn himself to death unless "sinful happenings" inside the shrine cease. Jiwan Singh Umranangal, an of-

ficial in the Sikh's Akali Dal party, said he would set himself on fire in public if Sikh militants "do not atone for the sins committed inside the temple complex" by June 15. He said the Golden Temple had been turned into a sanctuary for smogglers and killers.

INSIDE

MAn an defense pact between the U.S. and West Germany has run into trouble. Page 3. The World Court has heard final arguments in the U.S. Canada sea dispute. Page 3. M Atmospheric bomb tests are remembered by residents of St. George, Utah. Page 4. M Cuba seeks Western help to develop a foreigners-only tour-

MAn all-party conference on the independence of South-West Africa ended inconclusively in Lusaka. Page 5.

ist site.

BUSINESS/FINANCE ■ West German strikes, set to begin Monday by metalworkers, could challenge the conservanve government. Page 13.

A SPECIAL REPORT ■ Cutting the inflation rate remans the prime target of Italy's coalition government. Banking

CIA Said to Give \$1.4 Million to 2 **Salvador Parties**

By Philip Taubman New York Times Service

WASHINGTON — The Central Intelligence Agency gave \$1.4 mil-lion to two political parties in El Salvador in an effort to prevent the election of Roberto d'Aubuisson to the presidency, according to a Rea-

gan amanestrates caracia.

The CIA gave \$960,000 to the Christian Democratic Party to support the candidacy of José Napoleón Duarte and and \$437,000 to the National Conciliation Party for its candidate, Francisco José Guer-rero, the official, who is familiar with CIA operations, said Friday.

As part of the effort to block the election of Mr. d'Aubuisson, the candidate of the rightist National-ist Republican Alliance, the CIA also subsidized visits to El Salvador by European and Latin journalists and gave them derogatory informa-tion about Mr. d'Anbuisson, the official said. He said the journalists apparently were not aware of the CIA's role in their visit.

The Central Elections Council on Friday declared Mr. Duarte the winner of the May 6 runoff election against Mr. d'Aubuisson. He received 752,625 votes, or 53.6 per-cent; Mr. d'Aubuisson had 651,741 votes, or 46.4 percent.

Mr. Guerrero, who was viewed as a moderate conservative by the Reagan administration, finished third in the first round of presidential balloting in March and was not a candidate in the remost election.

The Reagan administration, although acknowledging that the United States provided help to labor unions, business groups and El Salvador's election commission, has publicly denied taking sides in the election or giving aid directly to political parties or candidates.

Larry M. Speakes, the White, House spokesman, said Thursday that U.S. assistance to labor, business and other organizations that endorsed or worked for candidates was part of a policy to foster "dem-ocratic institutions" in friendly

A CIA spokesman, George V. Lander, said Friday that the agency would not comment on reports that it had played a role in the election. A spokesman at the U.S. Embassy in San Salvador, Donald Hamilton, said Friday that the United ion, said Friday that the United States had "contributed to the expenses" of three groups of foreign journalists who visited El Salvador and other Central American countries in the past eight months. It was unclear whether those groups were related to the journalists sub-

sidized by the CIA.
Since it was established in 1947. the CIA has spent millions of dol-lars trying to influence the outcome of elections in several nations by covertly providing money and other assistance to parties and candidates friendly to the United States. according to former intelligence officials and past congressional investigations of the CIA.

The CIA's role in the Salvadoran election has become a focus of attention and criticism in Congress in recent days as lawmakers have dis-closed information about the agen-cy's activities. The leading critic has been Senator Jesse Helma, Re-publican of North Carolina, who in speech to the Senate Tuesday ounced the CIA for medding in the election.

Members of the Senate Select Committee on Intelligence said on Theirsday that in 1983 the commitsee was told by the administration about CIA places to support the

(Continued on Page 2, Col. 1)



Mary and Stanley Dryson Allen, in Sri Lanka.

Tamils Threaten to Kill They said one rioter was killed **Kidnapped U.S. Couple** then he was hit by a firstruck. India and the rebel organization denied a report by Lalith Athulath-

Compiled by Our Staff From Dispatches COLOMBO, Sri Lanka — Separatist Tamil guerrillas have threat-ened to kill an American couple, kidnapped in Sri Lanka, puless had escaped with the couple to the their demands for a ransom and southernmost Indian state of Tamil mudali, Sri Lanka's national securelease of 20 imprisoned colleagues. Nadu by boat are met Monday.
The guerrillas told President Jusaid Chief Minister M.G. Rama-

mis R. Jayewardene in a letter chandran, Tamil Nada's top official. "We only have Tamil refugees to expire and that the couple would from Sri Lanka, no kidnappers." delivered to news agencies, said the Americans were being held in Sri Lanka's Tamil-dominated northern province. "The Sri Lankan government is trying to divert public opinion by issuing misleading statements," it said.

A guertilla group called the Peo-ple's Liberation Army sezzed Stan-ley Dryson Allen, 36, and his wife, Mary, 29, from their home in Jaffna district on Thursday. The press office of the Tamil secessionist group in Madras, India, said Sunday that the couple were "well treated just now."

The guerrillas demanded the release of 20 detainees held by Sri Lanka and a 50-million-rupee (\$2-million) ransom in gold. If the demands are not met by noon Monday, the Allens will be killed within six hours of each other, they

The guerrillas, who want a separate state for Sri Lanka's minority Tamils, asked for the prisoners and gold to be handed over to authorities in India's southern state of Tamil Nade

Parents of both Mr. and Mrs. Allen appealed Sunday from their homes in Akron, Ohio, for their children's lives to be spared.

"Like all young people they de-serve a future. We ask those in day by the U.S. emusions at the parents since of latina, where the Allens iombo and New Delhi. The parents since of latina, where the Allens were not identified by name. Mr. Jayewardene has said his side home.

government will not pay ranson to. The Sci Lankan government has

volved in efforts to secure the release of the couple. "He has been fully informed about the case," his spokesman, Peter Teeley, said after Mr. Bush was briefed at the U.S. Embassy.

In New Delhi, where he arrived

Saturday on an official visit, Vice

President George Bush became in-

"This is absolutely incorrect,"

The guerrilla group, in statement

"The vice president will discuss this with the Indian government," he said, but declined to give further details or discuss the reports Mr. Bash received. (Resters, AP)

■ Indian Search Earlier, William Claiborne of The Washington Post reported from New

Police, customs and navy patrols were stepped up in the area of Rawhose hands they now are to free manathapuram, in the Indian state them," the two sets of parents said of Tamai Nadu, just 18 miles (30 in a statement. It was released Sun- Aliometers) across narrow straits in a statement. It was released Sun-day by the U.S. embassies in Co. from the northern Sri Lankari prov-iombo and New Delhi. The parents face of Jaffina, where the Allens

(Continued on Page 2, Col. 2)

King Juan Carlos and Konstantin U. Chernenko, third and fourth from right, with wives and officials at the Kremlin.

Chernenko Appears Frail at Meeting With Juan Carlos

By Serge Schmemann

New York Times Service 4 MOSCOW - Konstantin U. Chernenko, the Soviet leader, ap-

peared frail and tired during a

meeting with King Juan Carlos I

of Spain, according to Spanish

Photographers covering Mr. Chernenko's arrival at the Kremlin for a session Thursday with

leader was assisted by two aides from his limousine.

At the end of the one-hour meeting, the Spanish journalists said, Mr. Chernenko appeared to have trouble buttoning his coat. They said that aides helped him with the coat.

Since the Spanish journalists had not seen Mr. Chemenko before, it was difficult to determine whether their observations the king said the 72-year-old marked a decline in his condition ficulties that have been evident in in February.

[A member of the Soviet Com-

previous public appearances. Western medical experts have said that Mr. Chernenko's tee brushed off reports that Mr. hunched shoulders, uneasy breathing and occasional apparent difficulty in raising his arms appear to be the result of an advanced case of emphysema, a progressive hing condition.

or whether they reflected the dif- he succeeded Yuri V. Andropov

munist Party's Central Commit-Chernenko is in failing health, United Press International reported from Washington. "He is in good working condition and I think a bit younger than your president," said Georgi A. Arba-Questions about Mr. Chernentov on a CBS-TV news program
ko's health have been raised since President Ronald Reagan is 73.1 tov on a CBS-TV news program.

After Slayings, Rioting AMRITSAR, India — Sikh gun-men killed a national guard trooper structions to kill Mr. Chander had

and wounded five others Sunday, and authorities ordered curfews in lowing the assassination of a lead- autonomy in Puniab. ing journalist.

state of Haryana, which is predom-inantly Hindu.

At least two Sikh gimmen fired

Punjab state police said put under curfew on Saturday. On Saturday, rioting Hindus set fire to Sikh shops in Juliundur after

driving in central Jullundur, police said. His two bodygnards were seri-

mesh Regiment claimed responsibility for the attack. "Whoever speaks or writes against Saint Jar-nail Singh Bhindranwale will be answered with bullets," a member of the group said in a telephone call to an Indian news agency here.

Late Saturday, Sikh gunmen rid-ing motorcycles fired on Hindu

jab was "disfiguring the nation." Mr. Chander, a Hindu, was the third editor to be assessinated this year in Punjab by Sikh militants. Inspector-General Pritam Singh Bhinder of the Punjab police said a

and Finance in Italy. Page 7. though the Deshmesh Regiment

U.S. Debate on Salvador Raised Deeper Issue of **Policy on Third World**

By Leslie H. Gelb New York Times Service

WASHINGTON - On the surface, the House of Representatives debate that led to approval of President Reagan's aid package for El Salvador was over a defined and practical issue: Should Congress tie rights by the Salvadoran government, and if so, how, or should the president be given the flexibility to do it his way?

It was not over whether Washington should provide military aid

NEWS ANALYSIS

or whether communism should be stopped. Virtually all the House debaters agreed on that.

But as the legislators poured and the president. This was defeat-through the practical matter of whether to make the aid condition-was an amendment by the House al or unconditional, it became clear that the debate was about something much deeper. It was about the nature of change in the Third remainder dependent on performance and joint congressional-extion of U.S. foreign policy for dealing with it.

It was really a debate about how to avoid the ultimate choice in El Salvador - losing or intervening. Presidential supporters said give the necessary resources without strings. Critics argued that without strings to bring about changes, the resources would be to no avail.

Not since the Vietnam War have Republicans and Democrats, and Democrats themselves, been so profoundly split on an internation-

The Reagan administration the Reagan auministration promised to under the trace of the choice to put the battleground for and the negotiations demanded by debating the larger policy issue on the critics. To delay the aid in any television Wednesday night, the way, he said, would hurt Mr. debating the larger policy issue on television Wednesday night, the night before the House vote.

Mr. Reagan called Central America a stage "for a bold atman of the Foreign Affairs sub-tempt by the Soviet Union, Cuba committee on the Western Hemiand Nicaragua to install communism by force throughout the hemiposed his aid bill were planned to do and that Congress "isolationists," as oblivious to the underlining those conditions would nightmare of Communist governments on American borders as Eu- But the votes were no longer there. ropeans were to the threat of Hitler

Democratic legislators such as Representative Michael D. Barnes of Maryland argued that Mr. Rea-and Southwest, almost precisely gan did not understand that what the lineup that supported the second was really some on a state of the second s was really going on in the region was not an East-West confrontation but an internal political and social upheaval. To them, the Reagan policies could lead only to a wider war, the strengthening of communism and direct U.S. mili-

tary intervention. debate, for some, was that stopping argued, "is to give a blank check to the communist threat was so important that the president should be given the substantial resources and freedom of action.

others, was the belief that in the gress came to believe gave the presend the Salvadoran government would either have to shape up or necessary to stop the Vietnamese lose no matter what Washington Communists, that led to U.S. did, and that if the government did not shape up, better to lose to the guerrillas than to escalate to U.S. military intervention.

these were their philosophical pre-

simply bad politics to advocate that, to the electorate for its possible in an extreme situation the United loss.

(Continued from Page 1)

electoral process in El Salvador.

The senators did not make clear

whether they were told about direct

payments to political parties or an

attempt to block the election of Mr.

According to the administration

agency spent a total of \$2.1 million both to buttress the electoral ma-

chinery and to prevent the election

The official said the effort to

prevent his election was initiated

by the administration out of con-

cern that if he were elected, Con-

gress would cut off military assis-

tance to El Salvador. Mr.

d'Aubuisson has been linked to

As part of the operation, the offi-

European and Latin journalists in

March and 9 in May. While the

journalists were in El Salvador, the

The first group, about half a doz-

en European print journalists, visit-

ed in early October of last year. A

group of European television jour-

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death squads in El Salvador.

of Mr. d'Aubuisson.

CLA Said to Give \$1.4 Million

official who described the CIA role up the airfare, and they paid their in detail on Friday, the intelligence botel bills and the other expenses."

dized travel to El Salvador by 11 Agency for International Develop-

official said, they were given negative information about Mr. d'Aution Front, has appealed to the kid-

To 2 Parties in El Salvador

States should either send in the troops or be prepared to lose.

Public opinion polls continue to

indicate that the majority of Americans want neither Communist takeovers nor U.S. combat involvement. In that broad and potentially contradictory middle ground is where most politicians place themwere looking for a way to avoid having the choice come down to intervening or losing.
Thus, Thursday's exchanges on

the House floor focused on the specifics of legislation rather than on philosophy or ultimate intent. The House had three choices.

One was to make all aid to El Salvador contingent on performance to be certified by Congress Foreign Affairs Committee to give one-third of the aid immediately and unconditionally, but make the remainder dependent on perforecutive certification. The third, which prevailed 212-208, was to provide all the aid now and unconditionally.

Majority Leader Jim Wright. Democrat of Texas, summed up the main point for the administration and against his own boss, Speaker Thomas P. O' Neill Jr. of Massa-

The key, Mr. Wright argued, was the election of Jose Napoleon Duarte as president of El Salvador, "a man whom everybody recog-nizes to be a man of honor and a man of courage," someone who has promised to undertake the changes

Mr. Barnes, who is also the chairsphere, pointed out that the conditions attached by the commit-To him, those who op- tee were exactly what Mr. Duarte underlining those conditions would help the new Salvadoran president.

Fifty-six Democrats banded with almost all of the Republicans to make a majority. Of the 56, all Richard M. Nixon in the last years

of the Vietnam War. The sounds of the Vietnam War rumbled throughout the debate. At one point, Jim Leach, Republican of Iowa and one of the eight Republicans to vote against the presiry intervention. dent, warned his colleagues. To Unstated but understood in the vote for aid without conditions, he

That was the congressional reso-Unstated but understood, for lution of 1964 that many in Conident the right to do whatever was bombing of Vietnam and then to

U.S. combat involvement. But this specter did not frighten a majority of Mr. Leach's col-A number of legislators on both leagues, according to Mr. O'Neill sides privately acknowledged that at least, as much as Mr. Reagan's leagues, according to Mr. O'Neill implicit warning that he would take mises, but that it was risky politi- his case to the American people cally to state them boldly and pub-and that those voting to deny im-mediate and unconditional aid to To most of them, however, it is El Salvador would have to answer

nalists visited December 6 through

9. The final group, several Venezu-elans and a Colombian, visited in

the last weekend in February, ac-

cording to Mr. Hamilton, the em-

bassy spokesman in San Salvador.
"In none of the cases did we pay
all the bills," he said. "We picked

Mr. Hamilton said it was unusu-

al for the U.S. government to pay

U.S. Couple

Threatened

(Continued from Page 1)

said there is evidence that Mr. Alien, who was working on a U.S.

ment water project, and his wife were taken by boat to Tamil Nadu.

nappers to release the Allens.

The mainstream Tamil national-

The front has been negotiating

with Sri Lanka for increased auton-

omy for the northern provinces.

where Hindu Tamils, who comprise

about 18 percent of the country's

15 million population, predominate. Buddhist Sinhalese comprise

about 74 percent of Sri Lanka's.

people, and the two groups, divided

not only by religion but by ethnic origin, have been rivals for more than 1,000 years.

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SANTIAGO DEMONSTRATION — Police disperse students during a protest called by opposition labor unions on the first anniversary of the May 11 protest against the rule of President Augusto Pinochet of Chile.

Police said an 18-year-old died after being shot in the head during the disturbances, and seven other persons, including a policeman, were shot as youths blocked roads. Newspapers reported 11 persons had been shot.

Guerrillas Who Took Hostages Leave El Salvador

where the Maronite Catholic com- the Lebanese Forces. Cultural ex-

were under way for trade between Lebanese who are targets every

Israel and the area controlled by day, so what's the difference?"

In Cambodia Is Manageable

in the camp.

Vietnam Insists Situation

SAN SALVADOR - Five leftist guerrillas who seized 73 hostages in a thwarted robbery and held them for nine hours have flown to Mexico after receiving safe-conduct passes out of the

The guerrillas tried to rob a grocery store in a southern district of Salvador Friday night, but were foiled when police arrived. They left the country Saturday.

It was the first time in nearly four years that gnerrillas had taken

hostages in San Salvador.
El Salvador's largest leftist rebel group, the Popular Liberation Forces, denied Sunday that its forces were responsible for the raid. The five rebels said they were members of the Clara Elizabeth Ramirez Metropolitan Front, a fac-tion that broke from the Popular Liberation Forces.

"None of our guerrilla units par-

By Earleen F. Tatro

where only two countries have em-

bassies, the Christian Lebanese Forces militia is unfurling the flag

of Lebanon from an eighth-floor

window facing Israel's Knesset.
The establishment of a Lebanese

Forces' "information office" is an

open act of defiance of President

Amin Gemayel and his govern-

It is also concrete evidence that

Israel intends to continue open ties

with its long-time allies in the

Christian heartland north of Bei-

rut. despite Lebanon's abrogation

Israel has maintained a liaison

office in the Christian-run area

since its invasion of Lebanon in

June 1982. Syria is currently hold-

ing three employees of the office detained by Syrian troops earlier this month. Israeli officials said

they were on a private pleasure trip when they strayed into an area held by the Syrian Army, but Syria said they were on a spying mission. The formal opening of the Leba-nese Forces' office in Jerusalem is

scheduled for May 17, the first an-

niversary of the accord that laid

down the framework for an Israeli

troop withdrawal from southern Lebanon. Israeli officials have indi-

cated that they planned to attend

The opening "is an affirmation of our independence," Pierre Yaz-bek, the head of the office, said.

Although spawned by the Pha-

langist Party, the young militiamen of the Lebanese Forces chafed un-

der what they saw as the moribund

leadership of aging Maronite Christian warlords like Pierre Ge-

mayel, 79, the party's founder and father of Lebanon's president.

Frem, whose wife is Amin Ge-

mayel's mece, denounced the presi-

dent's abrogation of the May 17 agreement with Israel in a series of speeches that transcended his pro-

vious role as strictly a military man.

Syrian pressure," Mr. Yazbek said. Mr. Yazbek's desk is stacked

with books of Jewish history. He soends 90 minutes a day studying

Hebrew with a tutor. For occasions

requiring respect of the Jewish reli-

gion, the 32-year-old Maronite

Catholic has an embroidered velvet

kippa, the skullcap worn by Jewish

Israeli officials are quick to point

out that the Lebanese Forces' of-

fice will not be accorded the full

diplomatic status of an embassy.

since sovereign nations do not have diplomatic relations with militias

However, the Foreign Ministry director general, David Kimche, said some privileges may be grant-

customs duties.

"The abrogation was an illegiti-

The militia's commander, Fadi

of its 1983 accord with Israel.

ment's recent tilt toward Syria.

After a brief gun battle, the guer-

rillas fled back into the building and forced 20 store employees and 52 shoppers to lie face down on the floor of a back room while negotiations began with police. The guerrillas later seized one of

two Red Cross volunteers sent in to negotiate.
In a phone conversation with The Associated Press, a guerrilla in the store who identified himself only as "the spokesman" said the rebels had decided to rob the store

because they needed money.
"Our lack of means forced us into this situation," he said. "We did not expect this kind of develop-

After being given safe-conduct passes, the five guerrillas — four men and a woman — emerged with their heads wrapped in towels to ticipated in those actions," said a prevent identification. They were

Lebanon's Rightist Christian Militia

seven, according to Mr. Yazbek.

distinctive geometric cedar tree.

(Continued from Page 1)

noncommunist Khmer People's

suit, the Kinner Rouge could not escape," he said. "Without the sup-port of the Chinese and Thais, the

Khmer Rouge could not survive

The battle for Ampil has raised

questions among Western diplomats in Hanoi and in Bangkok

about Vietnamese intentions and capabilities in Cambodia. Viet-

namese troops attacked the base in

mid-April after an intense artillery barrage. The civilian population fled, and initial reports said the

It later became clear that the

Front put up an unexpectedly strong defense and even counterat-

tacked the Vietnamese, who threw

Cambodian forces of the Phnom

Penh government into the battle

with poor results and later with-drew across the lake, Western dip-

The operation seems to have giv-

Tug-of-War Ends Tragically

LENZBURG, Switzerland

lomats in Bangkok said.

camp was captured.

"If we had a policy of hot pur-

National Liberation Front.

Establishing Mission in Jerusalem

spokesman for the FPL in a broad-cast on the clandestine Radio Fara-bundo Marti.

driven to El Salvador's airport, 30 miles (48 kilometers) south of the capital, accompanied by officials of the International Red Cross and the Mexican Embassy.

They then left for Mexico on a

TACA airlines flight, There were no reports of injuries other than minor burns from a canister of tear gas reportedly thrown into the building by police. As the guerrillas arrived at Mexi-

co City's airport, about 40 plainclothes security agents surrounded the plane. The rebels, the last passengers to leave the plane, disembarked with their faces still concealed by towels.

A Mexican security official, who asked not to be named, identified the five as Alfredo Gómez, Estela Ramírez, Luis I. Rendino, Antonio Gavido and Eduardo Rivas Alfaro, ages 18 to 23.

In 1979 and 1980, guerrillas seized several government minis-tries, foreign embassies and politi-bers.

the release of political prisoners Separately, army officials and in-surgent leaders said Friday that guerrillas and the army have begun exchanging prisoners.

The first officer to be released

under the exchange was Colonel Francisco Adolfo Castillo, who served as El Salvador's deputy de-fense minister at the time he was taken prisoner 20 months ago.

The sources said he was released in exchange for seven rebel leaders under a deal worked out between Defense Minister Carlos Engenio Vides Casanova, his chief of staff Adolfo Blandón and Ruben Zamora, a top official of the Farabundo Marti National Liberation Front,

of which the FLP is part. Colonel Castillo's release was preceded by exchanges of prisoners less senior rank and would be followed by further swaps, the They gave no num-(AP, Renters, UPI)

WORLD BRIEFS

WHILL IN THE

Israel Exhumes Bodies of 2 Hijackers

JERUSALEM (WP) — The bodies of two Palestinian men who were among the four Arabs who bijacked an Israeli civilian bus last mouth have been exhumed for autopsies, Israeli newspapers reported Sunday. The exhumations were ordered by an inquiry commission appointed by Defense Minister Moshe Areas to determine if the two hijackers were killed after being captured by Israeli security forcts. The bodies were buried in the Israeli-occupied Gazz Strip shortly after an Israeli commando team freed the bus passengers April 13. There was no official government comment on the exhumations.

The official army account is that two bijackers were killed in the assault and that the other two died while being taken to a hospital. That account was called into question by a photograph showing an apparently uninjured man who is believed to have been one of the injackers in the custody of two civilian Israeli security guards.

British Deputy Quits Post in Scandal

LONDON (AP)—A member of Parliament who served as the defense minister's parliamentary private secretary resigned Saturday after his arrest at a London nightchib that features male strippers, the Sunday

It said that Dr. Keith Hampson, 40, Conservative MP for Leeds, who had been Defense Minister Michael Heseltine's parliamentary secretary since June, resigned to avoid causing embarrassment to Mr. Heseltine

Scotland Yard confirmed that a man was arrested at the Gay Theater in London's Soho district May 3 "for alleged indecent assault on a male."

A Scotland Yard statement said the man was released pending a report to government lawyers and no charges were lodged. "He has not been charged; therefore, we cannot confirm or deny his name," the statement

Hu Asserts North Wants United Korea

BELTING (AP) - Hu Yaohang, the leader of the Chinese Communist Party, said in an interview published Sunday that President Kim Il Sung of North Korea repeatedly told him in 10 hours of talks that he wanted

the peaceful remarks to the Xinhua news agency, reprinted in all major newspapers, came two days after he and a Polithuro member, Yang Shangkun, completed a weeklong tour of North Korea.

Diplomats in Beijing said the trip was aimed at calming North Kozea about China's contacts with U.S.-backed South Kozea. It also appeared aimed at reassuring Pyongyang that China supports its proposal for peaceful remification, under which North and South would keep their existing political and social structures and would each pledge not to

Colombia Raids 5 Cocaine Facilities

SANTA ROSALIA, Colombia (UPI) -- Narcotics agents, pressing a

SANTA ROSALIA, Colombia (UPI) — Narcones agents, pressing a campaign against Colombia's drug industry, destroyed five large cocaine-processing laboratories and arrested more than 200 people.

The National Police operation on Saturday was one of the largest carried out since President Belisario Betaneur pledged to crack down on the drug trade after Justice Minister Rodrigo Lara Bonilla was assassingted April 30. Mr. Lara Bonilla had embarked on a major drive against cocaine trafficking and had received death threats.

Two of the processing facilities found Saturday were located in a camp on a hog ranch near Santa Rosalia, 300 miles (480 kilometers) east of Bogotá. It was believed that the facilities were producing at least 1,100 pounds (500 kilograms) of pure cocaine a day, about 10 percent of the estimated daily output in Colombia. About 100 people were arrested in the department of Meta, agents found and destroyed three cocaine laboratories and arrested at least 100 persons, officials said.

U.S. Plans Honduras Exercises Till '88

WASHINGTON (WP) - The United States plans to conduct military exercises in Hondaras through 1988 and to build facilities in the country to support the possible deployment of U.S. forces in the region, according to a Pentagon report sent to Congress.

The 20-page report from William Howard Taft 4th, a deputy defense secretary, said that some proposed military construction in Honduras was intended to support U.S. forces that could be sent there under the Rio Treaty, which calls for the United States to assist in the defense of other countries in the Western Hemisphere.

A proposed \$1.5-million storage site for air munitions would be useful in the event the U.S. must deploy tactical aircraft to Honduras in support of a decision to provide military assistance as outlined in the Rio Treaty," the report says. Another \$2.9-million storage site "would significantly," the report says. cantly reduce the time required for the U.S. to provide military assistance

Kuwaiti Tanker Hit by Missile in Gulf

BAHRAIN (Renters) - A Kuwaiti tanker, passing through the Golf on its way from Kuwait to Britain with more than 76,000 metric tons of fuel oil aboard, was hit Sunday by a missile fired from a plane, its owners

Abdul-Fattah al-Badr, chairman of the Kuwaiti oil tanker company that owns the tanker, the Umm Casbah, said the plane was "unidentifed." Shipping sources in the Gulf said they assumed an Iraqi fighter was responsible. Iraq made no mention of the incident in its regular evening nilitary communique issued in Baghdad. Mr. Badr said no one had been injured in the attack and there had been

no explosion or fire. Damage was confined to the ship's central tank and no oil was lost. It was the third Arab oil tanker attacked in the Gulf, apparently by Iraqi planes, in less than three weeks.

Bush, in India, Assails Soviet Policy

NEW DELHI (AP) — Vice President George Bush has begun a three-day mission to improve ties with India, and declared that the Soviet intervention in Afghanistan has upset the military balance in the region and created the world's biggest refugee problem.

"In our view, the most destabilizing factor to emerge in the region in recent years has been the brutal Soviet invasion and continuing war against Afghanistan," Mr. Bush said Santrday at a banquet in his honor at the Presidential Palace. The presence of more than 100,000 Soviet troops in that country, he said, "has fundamentally altered the strategic halance in the region and created the world's largest refugee population" balance in the region and created the world's largest refugee population"

3.5 million people, many of them in Pakistan. The Russians entered

Afghanistan in December 1979.

India, a friend of the Soviet Union, has refrained from publicly condemning the Soviet policy in Afghanistan and has recognized the Soviet-backed government in Kabul. Mr. Bush said he looked forward to discussing the Afghanistan problem and other foreign policy differences with Prime Minister Indira Gandhì, who attended the banquet.

U.S. Honors Dead in Berlin Blockade

BERLIN (AP) — Interior Secretary William P. Clark of the United States, in ceremonies marking the end of the Soviet blockade of Berlin 35 years ago, has honored the U.S. and British airmen killed during the

Mr. Clark and the West Berlin mayor, Eberhard Diepgen, laid a wreath Saturday at a memorial at Tempelhof Airport in memory of the 31 American and 41 British airmen and six German helpers who died in air. and ground accidents during the airlift, which brought supplies to the city during the 11-month blockade.

ciation of Southeast Asian Nations drawal, that involves a kind of by isolating the main guerrilla group, the Khmer Rouge, and the main ASEAN hard-liner, Thailand.

The Soviet Union cut off land access to Bedin, 110 miles (178 kilometers) inside Communist territory, on June 11, 1948, trying to force the Western allies from the city. The blockade, which violated wartime agreements, was lifted on May 12, 1949.

a human chain of pacifists protesting an armed forces day ceremony in the town of Valladolid, police said. At least 10 demonstrators were

An earthquake along Yugoslavia's Adriatic coast on Sunday triggered landslides in which at least one person was killed, the official media reported. The tremor measured 5.5 on the open-ended Richter scale. The only victim immediately reported was a 60-year-old woman who was

Soviet police have been stationed at the Moscow home of Irina Lina who told Western reporters that the Nobel Prize-winning dissident Andrea D. Sakharov, had gone on a hunger strike and that his wife was under investigation for anti-Soviet slander, a witness said Saturday. (AF. A bomb blast his South Africa extensively damaged two government offices in a high-rise office building in central Durban on Saturday, police said. There were no casualties and no one claimed responsibility. (UP)

David Kitson, 65, a citizen of South Africa and Britain, was released from itself in Britain of Friday after serving most of a 20-year sentence for from jail in Pretoria on Friday after serving most of a 20-year sentence for

75 6

Olympic Aide Meets With Soviet Official

The Associated Press munity is concentrated. They have change programs, including univerreceived some weapons from Israel sity scholarships, are also on the in the nest decade but have re-(Continued from Page 1) agenda. youth newspaper, published an ar-Only two nations, Costa Rica ticle by Vladimir Vasin, a diving mained apart from the Israeli-cze and militia of the late Major Saad Haddad. Major Haddad's militia, Jerusalem, which Israel claims as now renamed the South Lebanese its capital despite the Arab outcry the United States planned to kill Army, operates in south Lebanon. over the annexation of East Jerusa-Soviet competitors.

The Lebanese Forces' five-room lem which was captured from Jor-Sovietskaya Rossia, another office is to have a staff of six or dan in the 1967 war. Egypt, the Moscow daily, said an unidentified only Arab country to make peace anti-Cuban group in Los Angeles Two shiny metal flagpoles have with Israel, and other nations keep been installed outside for the Lebanese national flag and the banner Asked if he was afraid of repriplanned "to take revenge for the South Korean airliner" that was shot down by the Soviet Union in of the Lebanese Forces with its sals, Mr. Yazbek said, "I'm not September with the loss of 269 istinctive geometric cedar tree. going to say I haven't thought Mr. Yazbek said discussions about it. But there are millions of

Olga Bicherova, a teen-ager who won the recent overall title in the women's world gymnastics compe-tition, said on television, in what appeared to be a rehearsed appearance, that Soviet athletes had been receiving letters from the United States threatening them if they went to Los Angeles.

"All this is happening with the tacit assent of Reagan, who has the power to cut off this anti-Soviet campaign," she said.

Western diplomats in Hanoi said Vietnamese Foreign Ministry officials explained that the troops at # 'Deep Freeze' in Relations

Ampil stopped because they did Bernard Gwertzman of The New York Times reported from Washingnot want to cause civilian casualties

Thai authorities have said 15 to Secretary of State George P. 20 Vietnamese deserters a month Shultz said Friday that the decision have been crossing the border from not to attend the Games was part Cambodia and asking for asylum, of an overall Soviet plan to put relations with the United States in Nevertheless, Vietnam believes its diplomacy in the region is pay-ing off, Western diplomats in Ha-noi said. The perception stems largely from an Indonesian initia-

a sort of deep freeze."

Addressing the American Society of Newspaper Editors convention in Washington, Mr. Shultz said the justifications for staying tive in recent months to promote a away were not credible because "tremendous efforts have been made and continue to be made by According to Western diplomatthe United States to insure the seic and academic sources, the Viet- curity for the Olympics and a warm

welcome for the athletes." "Right now," he said, "we see the efforts to split the resistance coali- Soviet Union engaged in a tactic of tion and the noncommunist Asso-negotiation that involves with-

Vietnamese had stopped after overrunning guerrilla positions near a namese leadership believes the Inlake east of the camp, and about 3,700 guerrillas dug in to defend donesian moves vindicate Hanoi's the settlement against 1,200 Viet-namese, according to Thai esti-The Khmer National Liberation

political settlement in Cambodia.

Japan Delays Arms Plan (Continued from Page 1) 1983 and March 1988, but the govemment fell behind from the start.

en the Khmer National Liberation Japanese officials, however, have Front a "psychological victory," a considered themselves vulnerable senior diplomat said. "The whole thing is consistent with what you might expect of poorly motivated soldiers going through the motions of an attack."

The whose things is consistent with what you might expect of poorly motivated being military budgets so as to spend enough to avert U.S. criticism. The military received one of cent, in a virtually no-growth na-tional budget effective April 1.

But military spending has not been adequate to meet goals defined both in the 1976 guidelines and in pledges by Japan's last two plates usually reserved for diplo-mats' cars and exemptions from chaos and injury Saturday when a prine ministers to protect sea lanes up to 1,000 nautical miles from its

27 percent. the few sizable increases, 6.55 per- 27 sets of short-range surface-to-air

Instead, it has only four. This week's government action

austoms duties.

The Lebanese Forces operate ed injuring at least 24 persons isprimarily in the Mount Lebanon cluding three who lost fingers and region in the center of the country one who lost a hand, police said.

ed, such as the special white license. An attempt by 880 people to set a

he said, "and I hope I've not been guilty of doing that in the past."

By now, 40 percent of the weapons purchases were to have been made. but the actual figure has been only In some areas, equipment acqui-

sition has lagged seriously. The Japanese Air Force was to receive missiles over the five years, and should by now have had 11 or 12.

essentially took the five-year program and postponed it to cover April 1, 1986 to March 31, 1991, a delay of three years. Yuko Kurihara, director of the Japanese De-

The 1976 program was to have fense Agency, said this plan would been put into effect between April be put into effect "completely."

The Soviet Union cut off land access to Berlin, 110 miles (178

For the Record

Spanish riot police fired rubber bullets and tear gas Sunday to break up

by a gas leak, ripped through the ground floor Saturday, injuring at least 10 persons, police said. No paintings in the 15-century building were damaged. (AP)

killed when her car was hit by falling rocks, it said. (Reuters) Soviet police have been stationed at the Moscow home of Irina Kristi

sabotage and promoting the aims of communism. Prison authorities said Mr. Kitson was released a few months early for good behavior. (Reuters)

AMERICAN TOPICS



Lotto ticket buyers line up at an outlet in Manhattan.

the Secret Service went into the

dining room and told the maître d'hôtel who Mr. Carter was.

"All the more reason he should wear a jacker," the paper

quoted the maitre as saving.

A New Book Offers

Trivia on Presidents

Dwight D. Eisenhower had a pilot's license, Abraham Lin-

coln had a saloon license and

Woodrow Wilson had a Ph.D.

Each of them was the only pres-

ident with such qualifications.

This information is con-

tained in a new election-year

book entitled: "The Presidents: Tidbits and Trivia." Written by

Sid Frank and Arden Davis

Melick, the book also reports

that Grover Cleveland had

faced a paternity suit and in-

structed his aides to "tell the

John Quincy Adams liked to bathe nude in the Potomac.

And Warren G. Harding, not

John F. Kennedy, was the first

president to enjoin Americans:

Ask not what your country can

do for you; ask what you can do

New Poll Finds Drop

In Public Alienation

According to a recent Louis Harris poll. Americans are feel-ing less "alienated and power-less." The number of respon-

dents who agreed with the statement, "What you think

doesn't count much anymore" declined from 62 to 57 percent in the past year, while those who believe that "the rich get

richer and the poor get poorer" has dropped from 79 to 74 per-

ountry don't really care wha

happens to you" are also fewer

in number. Last year, they were

Everett Beats Seattle

In what has become known

as the battle of Puget Sound, Everett, Washington, has beat-

en out larger Seattle as the site

of a new Navy base. Everett, a once-thriving saw-

mill town, now has an unem-

ployment rate of more than 10

percent, and town officials are

looking forward to an influx of

jobs and money because of the

home port to as many as 16

vessels, 10,000 sailors and 8,000

dependents. Local officials estimate that as many as 18,000

new jobs may be created by the

U.S. Accuses Detroit

Of Spoiling Free Food

The federal government says Detroit owes it \$418,000 for los-

ing or letting spoil 284 tons of food intended for the poor.

Nearly 205 tons of surplus

butter, cheese, frozen turkeys and other food spoiled in city

warehouses last year, the Agri-

culture Department says, and a

city andit could not account for

troit for ordering too much food and not providing ade-quate warehousing. But Mayor

Coleman Young says Washing-

ton is partly to blame because it

allowed the city to give the food

to soup kitchens but not to

needy individuals and families.

another 79 tons of food. Federal officials blame De-

new base.

The city of 54,413 will be

In Battle for a Base

only 48 percent.

for your country."

Record Lotto Attracts Players in New York...

Record sales of New York State Lotto tickets have pushed the jackpot to \$22.1 million, the biggest in North American his-

That figure was reached on Saturday, after players, learnmg that the Friday jackpot figtire was \$18.5 million, rushed to buy tickets, said the lottery di-rector, John Quinn.

Players lined up Friday to buy tickets at the rate of 17,000 a minute, or about 1 million an hour, for most of the day. Sales were near that level Saturday before the 8 P.M. buying dead-

line. Mr. Quinn said. There were four winners, officials said Sunday, but their names will not be known until they claim their prizes. They will share \$5,525,000 in 21 annual installments of \$263,095,

less a 20-percent tax deduction. The previous Lotto record was \$9.9 million for the drawing of March 17, which a Queens man won. The jackpot grew to its size because no one had picked the winning six-number combination in the previous three drawings.

There are about seven million possible six-number combinations of the 44 numbers on a Lotto card.

The chances of winning a share of the jackpot are 1 in 3.5 million. "You'd have a better chance of getting hit by lightning," said a !ottery spokesman, Bill Knowlton. "That's only about I in 2 million."

...and Tax Gamble Sours for Investors

Every spring. Americans wrestling with the Internal Revenue Service seek new ways to can invest in minor tax shelters such as Individual Retirement Accounts. Larger investors can buy into companies recording major losses, and can write off

almost all their taxes. The catch is that the losses can suddenly become real. Several prominent Americans have found this out through the case of Lion Capital Associates and Blackburn Associates, two tax partnerships that were set up to trade in government securities and other debt issues.

Among the investors were Alexander M. Haig Jr., the former secretary of state, who invested \$50,000; Arthur B. Laffer, the economist and political theorist who put in \$25,000; and Avery Corman, author of the book Kramer vs. Kramer; who contributed \$175,000.

Now, both Lion and Black-burn have filed for protection under the federal bankruptcy laws, leaving their distinguished backers with a great deal of li-

The partnerships' strategy is known as a "straddle," which seeks to produce short-term losses while pushing gains into later years, when tax rates might be more favorable to the

successful investor.

This is done by simultaneously making short- and long-term investments in the same or similar securities. As interest rates change, one posi-tion rises in value, while the other declines. At the end of the year, the side that shows a loss is sold, while the profitable half is carried into the following year. For tax purposes, the loss is deductible from gross in-

But, a lawyer for the compa-nies said, both Lion and Blackburn began recording substantial trading losses beginning in

"I've made a lot of mistakes in my life," Mr. Laffer said. "This is certainly one."

The only hope for the investors is that provided by the cer-tainty of many costly lawsuits.

A Jacketless Carter

Is Banned in Boston Former President Jimmy Carter was turned away from the dining room of the Copley Plaza hotel in Boston recently

per in a cardigan sweater, the Boston Herald reported. The newspaper said that Mr. Carter was "really rather put out." After he was turned away,

because he showed up for din-

Final Arguments Made **Before World Court in** U.S.-Canada Sea Dispute

By John Vinocur New York Times Service

THE HAGUE - A five-judge panel of the International Court of justice has heard final arguments in the dispute between the United States and Canada about their maritime boundary in the Gulf of

The area of the Atlantic Ocean in dispute includes the rich Georges Bank fishine zone.

The panel will now deliberate on thousands of pages of testimony going back to November 1981, when the two countries agreed to submit the case to the World Court.

In a closing statement, Judge Robert Ago of Italy, the panel's president, praised both countries Saturday for "the serene and cordial" way they had approached the

Work on the dispute had been suspended by the court while its full contingent of 15 judges heard Nicaragua's request for a restraining order to stop U.S.-supported military activities against the Nica-

The Gulf of Maine case is expected to set important legal precedents because the number of disputed maritime boundaries has grown in recent years with the gen-eral acceptance of 200-mile (320kilometer) fishing zones.

At issue is a 30,000-square-mile believed there may be oil and natuary proposal would give it total jurisdiction over Georges Bank.

The United States claims the all states." area was developed in the 19th century by New England fishermen, who fished in it exclusively until the 1950s, when fleets from other countries joined them.

Canada is asking for half of the ern segment of Georges Bank. The Canadians contend that the

United States in any case.

On Thursday, the Interior Department proposed to open 14 mil-

tion to Italian, French and West like the one proposed by Canada.

German judges, will be making the first judicial determination of a 200-mile zone boundary, as distinct from a boundary for the continental shelf alone or for the territorial

Only the United States pleaded Saturday, Canada having completed its case. Davis R. Robinson, the chief U.S. legal adviser, emphasized two central points about the geography of the area and the characteristics of the fishing banks

"The coast of the Gulf of Maine," he said, "is the principal coast of New England, facing the A decision is expected in August.

Atlantic Ocean and the outside world Under the United States proposal, the maritime boundary will proceed in a southeasterly direction perpendicular to the general direction of the coast.

"Yet Canada persists in advocating a boundary that moves still furer south across the front of the United States' east coast, claiming nearly half of the last great fishing bank in the northwest Atlantic Ocean to which United States fishermen have access."

"If Canada's line is adopted," Mr. Robinson said, "the entire At-lantic Coast north of Philadelphia where one-quarter of the entire population of the United States -would face not Europe, not the high seas of the open Atlantic, but Canadian waters."

This issue of 'cutoff,'" Mr. Robinson said, "will be replicated in maritime boundary disputes area of the Atlantic in which it is around the world. This issue raises the most fundamental issues of sovral gas, although drilling attempts ereignty. The question of cutoff so far have failed. The U.S. bound-posed in this case, not only in a geographic sense, but in a political sense as well, affects the interests of

> The Americans argue that fish stocks in Georges Bank are separate from those of the Scotian Shelf, an area that would remain

The Canadian argument is that it disputed area. Its lawyers say some has drawn a line so that every point that it is vital for the Defich to parts of Nova Scotia have a vital on the proposed boundary is an deploy all 48 missiles allotted uneconomic dependence on the east- equal distance from base points on the coasts of both countries.

The Canadians contend that the Canada maintains that its Speaking during his return flight United States does not have any boundary is an equitable one that from talks in South Korea and Jaeconomic dependence on that part the United States has tacitly acof the area, and that its fishing cepted. It said the United States activity is centered principally on failed to protest Canada's issuance the sector that would go to the from 1964 to 1969 of oil and gas permits up to the line it is propos-

The Canadians also said that eviion acres (5.6 million hectares) in dence indicated that over the same the North Atlantic to offshore oil and gas leasing.

The panel, which includes an American and a Canadian in additional manufacture of the control of the panel of the control of the panel of the control of the panel of the control of t



WHITE-WATER CAMPAIGN -- Senator Gary Hart

election Toesday. Senator Hart, a Democratic presidenof Colorado, center, winces as the Deschutes River tial candidate, paddled and whooped from the bow of the inundates his raft in Oregon, which holds a primary raft and later said trip had been "Too short. Like life."

Weinberger Rejects Dutch Compromise on Cruise

By Rick Arkinson

WASHINGTON — Defense Secretary Caspar W. Weinberger has said that the United States has not dropped its opposition to a compromise plan for deployment of cruise missiles in the Nether-

His statement came after the second-ranking official in the Durch Defense Ministry, Jan van Houwe-lingen, said in Washington last week that the Netherlands would not accept its full share of 48 mis-

"There are all kinds of Dutch officials running all around. The Dutch government hase third anything yet," Mr. Weinberger said

Until an official amountement comes from The Hagne, the United States will stand firm in insisting der a 1979 NATO plen, Mr. Wein-

pan, he said that "we've rejected the crisis deployment idea" that the Dutch recently suggested. Under that plan, the cruise missiles would be stored in West Germany or the United States and shifted to the

Netherlands in a crisis.

cluded.

"The GAO used to look around to see if anybody had their hand in the till. That's a very good function." he said. "I strongly question whether or not they have the expertise or capacity to pass on the capabilities of various weapons. We're very, very pleased with the accuracy of the first tests so far."

The secretary said that South Korean military leaders expressed alarm last week at North Korea's chemical-warfare potential. There is "evidence that they're working on" nerve gas in North Korea, Mr.

Weinberger said: Mr. Weinberger has urged a reluctant Congress to finance the production of new binary nerve gas apons as the most effective deterrent to Soviet chemical attacks. But when asked whether South Korea has, or should have, stockpiles as a similar deterrent, he declared

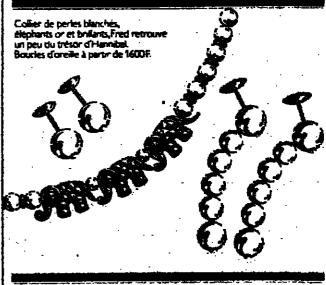
"They are going to take the steps necessary to maintain a defense against that," he said. "The whole subject was discussed in general terms. I wouldn't want to go bevond that."

On other topics, Mr. Weinberger

 Contrary to some press re ports, South Korea has not asked for an increase in U.S. troop strength, although "they sare as

in the decade. Recent hardening of Staff. Soviet silos may mean that the MX between the news media and the new news media and the new news media and the new news med

Hannibal fait la conquête de Fred.



U.S.-Bonn Agreement On Air Defense Delayed The respondents who believe that "the people running the

By Fred Hiart Washington Post Service

57 percent. This year they are WASHINGTON — A major agreement between the United States and West Germany to cooperate on providing air defense for Western Europe has run into trou-Failing Kindergarten: A Minneapolis Test ble because of rising arms costs and dissension in the Pentagon, offi-Educators are watching a tricials said last week. al program in Minneapolis that requires children of kindergar-

Defense Secretary Caspar W. Weinberger and Defense Minister Manfred Wörner, who approved the accord in principle last December and the second ten age to take aptitude tests before they enter first grade. The children are asked to idenber, had hoped to sign a final agreetify shapes, recognize coin val-ues and deal with numbers up ment Thursday at a North Atlantic Treaty Organization meeting in.

Eleven percent of them did But a West German delegation not make it, and will have to that came to Washington to work attend summer school in order out final details recently went to try again in the fall. The goal home without a pact, and U.S. offi-cials now say that an agreement of the program is to detect and head off later failures. But some appears to be weeks away, at best. parents are upset by the reac-tion of children who are told they must stay in kindergarten.

Officials in the Pentagon and in private industry said they believe the accord will eventually get back on track, but they acknowledged that the problems are serious. The difficulties stem in part from

an increase in the price of the Patri-ot anti-aircraft missile, which is in-tended to be the centerpiece of a new air-defense system in Europe.

When Mr. Weinberger decided to purchase fewer Patriot firing units for the U.S. Army as part of a general budget reduction, the cost per missile, made by Raytheon Co., rose from \$1.9 million to \$2.2 million, including radar and associat-

In addition, officials attribute misunderstandings in the talks to a locally from thorium, the govern-bureaucratic battle between Richment said Saturday.

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ard N. Perle, assistant secretary of defense for international security policy, who negotiated the agreement in principle, and James P. Wade Jr., principal deputy under-secretary for research and engineering who has conducted implementation talks. Each wanted control of the talks, and each is said to accuse the other of blunders in the negotiations.

The Germans are reported to be miffed by reports that the Netherlands may have gotten better terms on a similar air-defense agreement concluded in Washington in Janu-

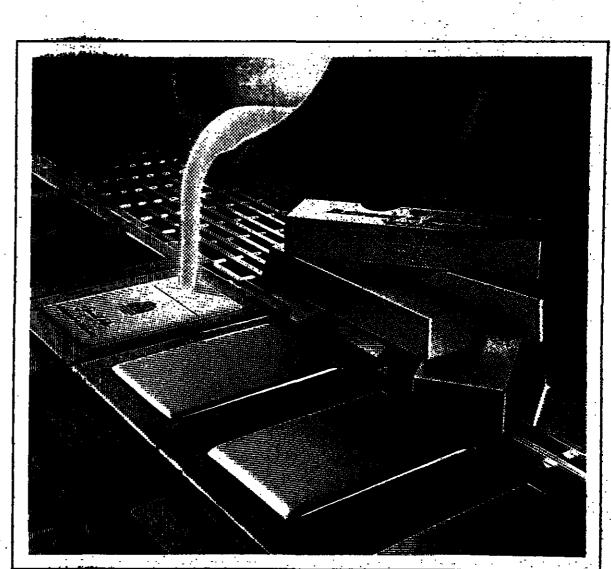
U.S. officials, in turn, said they are incredulous that German defense officials are asking for help from Washington in paying a val-ue-added tax on the missiles to their own Finance Ministry.

The two sides are reported to be about \$135 million apart in an agreement that would be worth about \$3 billion in the next 10

The agreement calls for the Unit-ed States to sell some Patriot missiles to the West Germans and to give them some. In return, West German soldiers would operate the Patriots on U.S. bases, helping to reduce the number of U.S. troops deployed overseas.

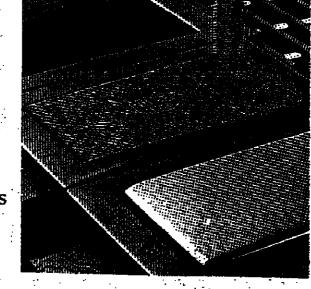
Indian Atomic Reactor Opens

NEW DELHI - The reactor at the Bliabha Atomic Research Cen-ter in Bombay went into operation Thursday using transum-233 made



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Utah Town Recalls Growing Up With A-Bomb Tests

By Iver Peterson

New York Times Service ST. GEORGE, Utah - Jacqueline M. Sanders's earliest memories of nuclear fission were of the way her family would bustle out onto the front porch and peer over the red-rock rim of this town at the unnatural fireball lighting the west-

ern sky. Her father, Rudger M. McArthur, the city director of utilities, remembers the arguments that used to follow, about whether the cloud of dust borne on the winds over St. George were orange or gray. He said they were gray.

The dust settled on everything, and the government representstives were in town assuring the people there was nothing to fear but asking that they make sure to wash the dust off of their cars, then that they avoid drinking milk from local cows. Then, as the years passed and the blasts continued, people were urged to wear little badges to show whether the bearer has been contaminated by radioactivity.

"They said don't drink the milk and don't eat the dairy products," Mrs. Sanders recalled with a little laugh, "but nobody told us kids not She was 5 when the first bomb.

erupted on Oct. 30, 1958. In between the government blew up the equivalent of more than one billion tons of dynamite in 103 atmospheric tests, and on March 20, 1967, Mrs. Sanders, then 21, was diagnosed as having cancer of the thy-

and 12 when the last one, Titania,

Last Thursday, in Salt Lake City, a federal district judge for the first time ruled that Mrs. Sanders's cancer and those of 9 other victims of the disease in southern Utah and central Nevada were caused by the radioactive fallout from the atmospheric tests of atomic bombs and of souther that the government should have cipal city. done a better job of protecting the

It was the first time the blame for cancers long suspected to have been caused by the bombs was legally fixed on the blasts and the clouds of fallout that followed, as well as the first time the government was held negligent in allowing the contamination to take

damages, but government appeals of the decision by Judge Bruce Jen-

In any case, Mrs. Sanders considers herself lucky to be alive, because all of the other cancer cases linked to the bombs in Thursday's ruling were fatal. Relatives of eight of the cancer fatalities were awarded a total of \$2.5 million, with one The judge denied 14 other claims in

As the only survivor among the 10 cases in the landmark suit, which is intended to serve as a basis for settlements for nearly 1,200 additional plaintiffs, Mrs. Sanders considers the roling a victory for all of southern Utah and this, its prin-

"I was the lucky one." she said in her home overlooking the red sand-stone cliffs that have drawn tourists and film studios to St. George for

"I didn't really suffer monetarily from my cancer," she said. "My parents had excellent insurance, I haven't had to undergo chemo-therapy, and all I have are maybe ter," she said. "I can't be. If you're \$100 a year for medicine and physi-In the verdict, Mrs. Sanders recals. Some of the others really lost, have too many good things in my ceived an award of \$100,000 in lost husbands and their children." life for that."

For those who lost a relative to

But the experience has exacted cancer, the ruling that the bomb the price of a reluctant cynicism

code-named Able, went off at the kins are certain to keep her from tests caused the diseases seemed to about the government. For noth-Nevada Test Site on Jan. 27, 1951, seeing the money any time soon. add to the pain, because such a ing, it seems, has left a deeper imverdict means the deaths may have been avoidable. "How can anyone call it a vic-

tory?" asked Lorna Bruhn. Her busband, Arthur, the head of Dixic College here, died seven months after contracting an acute leukemia that Judge Jenkins ruled may have been caused when Mr. Bruhn climbed to the top of a nearby hill for a better view of a test shot codenamed 'Harry' that emitted partic-

ularly high levels of radiation.

Mrs. Brahn and her two children were awarded a total of \$625,000 by Judge Jenkins, the highest award in the case.

"All the money in the world won't pay for what we've lost," Mrs. Bruhn said. "But maybe some good will come from telling the government they can't treat people the way they did us anymore." Mrs. Sanders, 38, is the mother of six daughters. She wears her blouses high on the neck to cover

surgical scars. bitter it ruins your whole life, and I

pression on the people of St. George than the evidence cited by Judge Jenkins that the government concealed the dangers of fallout radiation from the people here for as long as possible.

They lied to us. They lied to us before the trial, they paid people to lie to us during the trial, they'll lie to us again whenever it suits their purpose," Mrs. Sanders declared.

"Now I might see President Resgan or someone on TV, and he'll say something nice and I'd say to myself, I'd like to believe that, but

The feeling of having been de-ceived similarly tainted the patriotism that runs in this part of the country, a patriotism most people thought was being served by the

"We were told the tests were furthering our efforts for national desaid Mr. McArthur, Mrs. Sanders's father, "and we should do our patriotic part."

"Then we found out they were waiting until the wind was blowing this way instead of toward Los Angeles before they set off a test, because they knew what was in that



Cayo Largo is 120 miles southeast of Havana. The Hotel del Sud is visible at the center.

Cuba Goes Capitalist as a First Resort

charms many visitors, and some worry that development will

But there may not be cause for

concern. Cuban officials say they

believe the tourist market is satu-

rated with glittering, high-rise places such as Paradise Island in

"We don't intend to imitate

these other resorts," said William del Pino, the 35-year-old manager

Largo and the nearby coral reefs,

where the remains of three or low

Spanish galleons lie on the bottom.

from countries with hard curren-

Last year about 80,000 tourists

change the island's character.

the Bahamas and Acapulco.

Havana Seeks Partner for a Foreigners-Only Tourist Site

1984 World Exposition **Opens in New Orleans**

By William E. Schmidt New York Times Service

NEW ORLEANS - Boat whistles blew, fireworks boomed, church bells pealed and thousands of brightly colored balloons rose against a blue sky as the 1984 world's fair began its six-month run along the Mississippi river-

"Laissez les bons temps roulent," declared Governor Edwin W. Edwards, reciting the Cajun expression, "Let the good times roll."

Mr. Edwards was among 14 officials on hand Saturday to open the Louisana World Exposition, the second world's fair in the United States in two years, following the 1982 fair in Knoxville, Tennessee.

The exposition, which was 10 years in the preparation and which cost about \$350 million, includes exhibitions from 25 nations. It is expected to draw 12 million visitors, the number it needs to break

There were fears last week that the site would not be ready for the opening Saturday, so 2,000 workers 82-acre (33-hectare) fair.

Some worked until noon Saturday, sweeping pavements and washing down sidewalks even as the gates opened and thousands who had lined up outside in the hot

sun poored through turnstiles. Still, at least two pavilions, Liberia's and Peru's, were not ready, and neither were three of the fair's major amusement rides, including a 200-foot-tail (60-meter-tail) Fer-

Most fairgoers seemed delighted with what was waiting for them. Minutes after noon, long lines had formed to ride the monorail that circles the fair site and the cable cars that carry visitors across the

Mississippi in small gondola cars suspended 370 feet in the air. The theme of the fair, "The World of Rivers: Fresh Water as a Source of Life," is strongly under scored by its situation along the banks of the Mississippi. As guests sat through the morning ceremony, huge freighters, towboats pushing barges and ferries worked their way up and down the river, just behind

the stage.
City officials are hoping the fair and cleanup crews worked through will help convert what was once an the night Friday, clearing most of the construction debris from the houses into a major tourist and convention center.

A Soviet Convert to Christianity Is Chastised by Youth Newspaper

United Press International MOSCOW - Sasha Gavrilov used to wear Western clothes and

listen to rock music - until he found religion. Mr. Gavrilov wrote to the youth newspaper Komsomolskava Pravda telling of his conversion to Christianity and, surprisingly, the letter was published. On Saturday, Komsomolskaya Pravda printed a number of letters telling Mr. Gavrilov where he had gone wrong.

"I hope Sasha wakes up from his foul dream and decides not to waste his youth in senseless vegetation," a reader, describing himself as "an old soldier," wrote. "Lack of will and spinelessness drove him out of this life. He even wrote the word God with a capital letter doesn't he know of the terrible crimes that were committed and still

are being committed in the name of god?"

Mr. Gavrilov said he had been addicted to Western clothes with fancy labels and rock music "pounding in my head." Then he had

recognized his vanity. I was lucky. I met a good man. Unfortunately, it was not a Komsomol [young Communist] leader or a teacher. It was an Orthodox priest," he said.

Komsomolskava's columnist. E. Lesotho, who regularly assails Western trends among Soviet youth, commented that Mr. Gavrilov was not the first person to break away from real life and added that she hoped to have the chance to meet him "back in the real world" one

Bomb Damages Iraqi Office in Cyprus

Compiled by Our Staff From Dispatches NICOSIA --- A bomb planted in m abandoned car exploded outside the Iraqi Airways office here, slightly injuring four persons and damaging the office and nearby apartments, police said.

In Damascus, the "Islamic Action Organization" claimed re-

sponsibility for the explosion Sat-urday, which occurred when the offices were closed. The Iranian national news agency, reporting from Ahwaz, Iran, quoted a spokesman for the "Mujahidin of the Islamic Revolution of Iraq" as claiming re-

Children Hit By Recession, **UNICEF Says**

dren's Fund says a study has shown that the world recession has had its

studied "continues to deteriorate." In its amnal report for 1983, issued in December, UNICEF estimated that 15 million children under the age of 5 died in developing countries last year. The report added that "for every child who has died, another has been left blind or

deaf or crippled or retarded." That assessment has now been supplemented by the study issued

It was conducted in Brazil, Chile, Cuba, Costa Rica, India, Nigeria, South Korea, Sri Lanka, Tanzania and Zambia. Parts of the United States and Italy were included.

The report said efforts to lower the infant mortality rate were impeded by cutbacks in spending on social programs. For example, real spending in Chile for social programs in 1982 was said to be less than it was in 1974.

In the United States, the study crease in infant mortality rates in

States, the number of underweight government to travel to Cuba. births is increasing. An under-weight birth is defined as a child born weighing less than 5.5 pounds (2.5 kilograms).

mes were not always available.

3 Chinese Reported Executed

BELLING - Three persons were executed Saturday in the Henan provincial capital of Zhengzhou, after they were linked with a group that bribed officials to sell them coal, then resold it at higher prices, the Workers Daily reported Sun-day. The group operated at railroad stations and mines in Henan, Zhojiang, Jiangsu and Guangdong

of the poorest people. The trend is intensifying Richard Jolly, a deputy executive direc-tor of UNICEF, said last week. He said that according to data still coming in since the study was issued in mid-April, the state of health of the children who were

April, "The Impact of World ecession on Children."

Mr. Luis said the French-owned

white beaches of Cayo Largo, 120 miles southeast of Havana. So far there have been no takers. Americans are prohibited from said, some areas had had an in- United States in 1962, three years

the trade embargo imposed by the after Fidel Castro seized power. American tourists, who had been The study also indicates that in one of Cuba's biggest sources of Brazil and some parts of the United money, are also forbidden by their There has been a 59-mom hotel

on Cavo Largo since 1960. But because of the ill-fated Bay of Pigs invasion by U.S.-backed Cuban ex-The report was based on case ites the next year, the little island and much of the surrounding area tional health services. Precise fig. was declared a restricted military zone. Until October 1982, the Hotel del Sad lay empty, baking in the sun. Then, after extensive refurbishing, the government opened the hotel in one of its first steps to develop a resort exclusively for foreien toprists with hard currency.

The government has been promoting the modest, neatly kept hotel in Canada and Europe, and offi-cials say it handled 600 to 800 guests a month during the high winter season that ended in mid-

There is little but the Hotel del Seed on this island of pines, wild

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WORLDWIDE ENTERTAINMENT

CAYO LARGO, Cuba - On this nearly deserted island 40 miles (65 kilometers) southwest of the Bay of Pigs, the Marxist Cuban government is proposing to go into partnership with one of its ene-mies: capitalist business. The purpose of the venture, the

By Joseph B. Treaster

New York Times Service

UNITED NATIONS, New York - The United Nations Chil-

government says, is to create a plush international resort from which Cubans would be barred. Only foreigners with dollars and other hard currencies from non-Communist countries would be of the Cayo Largo development permitted to relax and play there.

None of this, the government Cuban parents and received an enmost severe impact on the children ays, is counterrevolutionary or an idmission that the troubled Marxsays, is counterrevolution ist economy cannot survive without

help from capitalism.
"Before the revolution," said José Luis Gorra, a 50-year-old lawyer and adviser to the president of Intur, the Cuban government tourist agency, "the foreigners were the owners. They owned the property and they exploited the riches of the

Now," he said, "we are inviting them to join us to have the advantages of a partnership. In the past our country didn't belong to us. Now it belongs to us and we are inviting people from abroad to join in the benefits."

Club Mediterrance, one of the most Fulgencio Batista. successful resort operations in the At least part of the resistance world, as well as businessmen from from foreign businessmen, Western Italy, West Germany and Canada, diplomats say, is due to Cuba's had inspected the meandering foreign investment law. It requires, for example, that foreign investors, Cuban as manager of their projects

salt marshes, mangroves and vast empty beaches.

It is the primitiveness that most actually be employees of a state.

There are also lingering memo-ries of the expropriation of foreignowned property in the early years of the revolution. Mr. Luis says the government offers several guarantees against expropriation. But a visiting Latin American expert in

hotel construction said. "Of course, there is still a little fear about this." Meanwhile, several dozen people are working on the development of Cayo Largo, including a team of three architects, an engineer and two environmental specialists in Havana and some construction crews on the island.

gineering degree from Leipzig University in Fast Germany. The government has also com-Most of the roughly 21 square missioned the Steigenberger Con-miles (54 square kilometers) of the sulting Co. of Frankfurt, West Germany, to evaluate the market island, he says, will remain an unpotential of Cayo Largo and advise touched, protected area. Already, he said, commercial fishermen are on design and construction. banned from the waters of Cayo

Three years ago, when Cuba began thinking of turning Cayo Largo into an international resort, Jesus Jimenez, the vice president of Intur, said the government hoped to build 5,000 rooms in hotels, villas

cies, mainly Canada, Italy and Mexico, visited Cuba, and 20,000 The West German consulting company has proposed 1,000 rooms. The Cuban architects have came from East European countries. This compares with about made drawings of a resort village 200,000 tourists, mainly Americans, in 1958, the year before Mr. with four hotels of about that capacity with a large marketplace that would be filled with duty-free Castro toppled the government of shops and restaurants. The Cubans also envision a marina and an airport with a two-mile runway to take direct jumbo jet flights from

anywhere in the world. who would be placing probably which provides 83 percent of Cumillions of dollars at risk, accept a ba's export earnings, the high cost Poor world prices for sugar, r at least agree to co-management.

The law stipulates that the govforce in Latin America are major: ernment of Cuba, which owns and factors in the country's econor operates virtually all economic en- problems. Last year, Onba was toterprises on the island, must have a able to make all its scheduled pay-controlling interest of at least 51 ments on loans of \$3.5 billion from percent in partnerships with for-cigners. and banks and refinanced more than half of Under the law, nearly all of those the debt at higher interest rates.

II II FA

EC Finance Ministers To Try to Bolster EMS

nance ministers and central bank- ic summit next month in London. ers from the 10 European Commu-nity countries have pledged to try to strengthen the European Mone-

But the long-term goals of creating a European Monetary Fund and a common BC currency remain far off, said Finance Minister Jacques Delors of France, after a one-day, informal meeting here Satur-had been made on disciplining EC

Mr. Delors said all the participants at the meeting had agreed that the EMS had functioned well since the last realignment in March

1983.
The system was created five years ago and is meant to prevent excessive fluctuations in exchange rates among the countries that participate in the EMS. Mr. Delors also said that he fore-

saw no new realignment, despite recent tensions within the EMS besuse of the strong dollar. But he confirmed that European central banks had intervened collectively last week to prevent the dollar from rising beyond its current levels.

The British chancellor of the ex-

chequer, Nigel Lawson, said the question of Britain's participation in the EMS had been raised at the meeting. He said Britain had no plans to become part of the system. Other delegates, however, said the British delegation had ap-peared less cool than in previous

ears to the idea of including the pound in the EMS. The EC ministers will take a new look at the EMS at their next informal session, which is scheduled for mid-September in Ireland, Mr. De-

sion, which was held in the Châtean finance ministers' meeting on June de Rambouillet southwest of Paris, 4. spent part of the day preparing for Concerning the meeting of fi-several international meetings nance ministers and central bank scheduled over the next few weeks. Mr. Lawson said that practically

RAMBOUILLET, France - Fi- Friday and at the Western econom-Mr. Delors said there was a long discussion on the impact of high U.S. interest rates and a strong do lar on the ability of Third World countries to repay their external debts. "It would be a banality to

say EFC finance ministers are writried by the phenomenon," he said. spending. Although a broad consensus on this was reached at a meeting of EC heads of state last month in Brussels, technical details have still to be worked out.

To push this through, a group of experts is being formed. The group will present a legally binding document for approval at the next meet-ing of EC finance ministers June 4 in Luxembourg.

The accord will be submitted for.

approval by the EC heads of state when they meet in Fontainebleau, outside Paris, at the end of June.

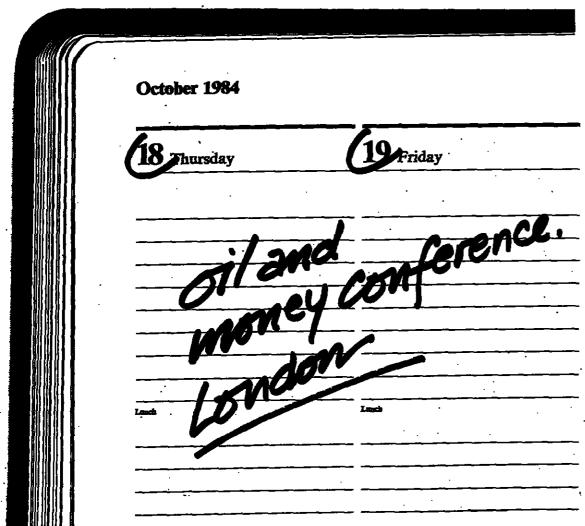
Mr. Delors also said participants had unanimously condemned pro-posals in the United States for a unitary state tax on the worldwide moome of multinational companies operating there. Participants at Saturday's ses-

sion also examined the possibility of raising the amount of funds available for lending to EC members with balance-of-payments Only two billion European Cur-

rency Units remain in the EC's special loan fund, after France borrowed four billion ECUs last year. One ECU is equal to 80 cents.

A final decision on increasing the fund and limiting the amount an individual EC member can draw Participants at Saturday's ses- is expected to be discussed at a

ers of the 10 most industrialized all the speakers had expressed on Saturday in Rome, Mr. Delus-"considerable concern" over the said there was a consensus among level and trend of U.S. interest his EC colleagues that there is a rates. That subject will almost cerlack of liquidity in certain parts of tamby be brought up at a meeting of the world. A limited increase in the the Organization of Economic Co-amount of special drawing rights is operation and Cooperation and necessary, he said.





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Watch for this feature MONDAY, WEDNESDAY & FRIDAY

By Robert Trumbull

New York Times Service MANILA - More than 1,000 candidates are running for 183 National Assembly seats in the elections on Monday. But the campaign, at least on the government television network, has sometimes resembled a drama of one man's

imelda R. Marcos, the powerful wife of President Ferdinand E. Marcos, surprised political observers by announcing that she would not run for re-election to the parlia-

She remains governor of metropolitan Manila and local leader of the Marcos party. Mr. and Mrs. Marcos are seen on television news every night, and she sometimes dispenses the largesse at her disposal in her other role as minister of

human settlements. Their 28-year-old elder daughter. Imee Marcos Manotoc, is a candidate in the family's home province, Ilocos Norie, where Ferdinand E. Marcos Jr., 25, is governor. Mrs. Marcos's brother. Benjamin T. Romualdez, the Philippine ambassador to the United States, is running in his hometown, Cebu, in the central Philippines.

Both relatives are heavy favorites. So is the Marcos party, the New Society Movement.

Things have become very personal. The principal opposition group, the United Nationalist Democratic Organization, nominated the former wife of Imee Marcos Manotoc's husband as a candidate in Manila. She is Aurora Pijuan Manotoc, who won the Miss International Beauty contest in

Mrs. Marcos's reaction was stormy. "How low can they get?" she said on television. "The opposition is truly sick, cruel, and mean. Poor Imee is still in the Makati Memorial Center trying to get over a painful and traumatic experience in the loss of a child."

Her daughter had been persuaded to run to circumvent a deadlock between two Marcos lientenants in Ilócos Norte. A week later, Mrs. Manotoc suffered a miscarriage. She made early campaign appearances in a wheelchair, but remains at the Makati medical center.

Drama had touched Imee Marcos Manotoc before. She secretly married Tommy Manotoc, a basketball coach and businessman, in the United States after he had divorced the beauty queen in the Dominican Republic; divorce is illegal in the Philippines.

Soon after returning home in late 1981, he was kidnapped. His par-ents blamed the Marcos family, who were known to disapprove of the marriage. Mr. Manotoc reappeared in February 1982, saying he had been kidnapped by Communist guerrillas.

Monday's national election will be the first since Mr. Marcos ended eight years of martial law in 1981. He retains powers to order summary arrests, proclaim laws and to abolish the parliament. These powers and the economy are the main issues in the campaign.
The assassination last August of

former Senator Benigno S. Aquino Jr., Mr. Marcos's principal challenger, uncorked emotions that had been bottled up for years.

Anti-Marcos demonstrations in

Manila and other cities, although nearly all nonviolent, caused apprehension about stability and a disastrous flight of capital. Foreign bank credit abruptly stopped, leaving the country with more than \$25 billion in debts that it cannot pay. Mr. Marcos came under extreme pressure from businessmen and the State Department, whose priorities include the security of important U.S. military bases.

Hoping to ease these concerns, Mr. Marcos guaranteed that Monday's election would be "free and fair." The generally held image of previous voting is that it has been

influenced by the Marcos regime. But when the campaign formally opened in March, Mr. Marcos ibandoned his conciliatory tone. He made retention of his powers his central theme.

He accused critics of encouraging the Communist-led insurger that has produced pockets of rebellion in every province.

His economic aides also went onto the offensive. Prime Minister Cesar E. Virata argued that heavy borrowing abroad has been good for the Philippines, providing roads and other infrastructure, instead of being the fiscal catastrophe that the opposition says it is.

The opposition is hopeful, Salvador H. Laurel, a former senator who heads the United Nationalist Democratic Organization, predicts that it will win 60 of the 183 seats at stake if the vote is "reasonably fair;" if not, 40 seats.

Detached political analysts say Mr. Laurel is too optimistic. A bovcott, organized by people who say that no election under this govern-



The first transfer of the second second

HOSTAGES FREED — Sixteen Britons and a Portuguese woman, held by Angolan rebels since February, arrived in Johannesburg Sunday. They were freed after a British diplomat traveled to southern Angola to meet with Jonas Savimbi, leader of the Union for the Total Independence of Angola. Eighty-nine other prisoners seized with them in a rebel raid on a diamond mine in the Angolan town of Kafunfo were freed last month.

All-Party Namibian Talks Break Up, Fail to Reconcile Rebels and Coalition

LUSAKA, Zambia - An allparty conference on independence for South-West Africa, or Namibia, ended inconclusively in Lusaka on Sunday with delegates failing to agree on a final statement.

President Kenneth Kaunda of Zambia, the conference host, said it had been impossible to produce a joint statement.

The three-day conference was attended by representatives of South Africa; the South-West Africa People's Organization, or SWAPO, the black nationalist guerrilla movement; and members of the territory's Multiparty Conference Coalition, which is backed by South Africa.

"As was expected we did not achieve the objective, the indepen-dence of Namibia, because we were dealing with a subject that has been on the cards for many, many years," Mr. Kaunda said.

He did not mention the deep division between SWAPO and the Multiparty Conference Coalition, a rift the Lusaka talks were intended

Dirk Mudge, chairman of the Democratic Turnhalle Alliance, a ment can be fair, is expected to hurt coalition of 10 conservative Eurothe opposition more than the Mar- pean, colored and African political groupings in Namibia, said Satur-

day that SWAPO had jeopardized said a procedural squabble broke the talks by refusing to recognize out before the conference opened

The guerrilla movement has repeatedly said it will negotiate only with South Africa, which it terms Namibia's colonial power.

SWAPO has been fighting a away groups from some bush war for nearly 18 years organizations in the Multiparty against South African control of Namibia. Pretoria has fostered the conference as an alternative to the guerrilla movement in the event of an independence settlement.

The main item on the conference agenda was how to carry out a African occupation. United Nations independence plan for the territory, which South Africa rules in defiance of the United Vations.

Mr. Kaunda said he considered the talks difficult but useful and added that contacts between the parties should be continued. He could not say when a follow-up conference would be held. South Africa's administrator-

neral for Namibia, Willie van Niekerk, said that although the meeting did not achieve its targets, he believed progress had been

Squabble Preceded Talks Earlier, Alan Cowell of The New York Times reported from Lusaka:

They said members of the Multiparty Conference objected to the size and composition of the insurgent delegation, which includes al-lied political groups and break-

Conference. At the formal opening of the talks, Mr. Kaunda, whose personal prestige was bound to a successful outcome, urged the territory's political groups to unite against South

"Let it not be said hereafter." he said, "that yet another wonderful opportunity to achieve significant progress toward the freedom ... of amibia has been missed."

There was some optimism that the conference would lead to a breakthrough, since the insurgents are under pressure to seek a political settlement and South Africa has committed itself to honoring agreements worked out between the guerrillas and the internal parties. African diplomats said that if the

quarreling South-West African parties could be persuaded to form a united front to demand a settlement, the discussion could move on to the details of a cease-fire and the terms of a settlement leading to Delegates from several parties independence.

Pope, Returning From Asia, States Willingness to Visit Russia, China he expected Hanoi to answer his distance is necessary. They should

By Henry Kamm

New York Times Service ROME --- Pope John Paul II has returned to the Vatican after a 10day, 25,000-mile (40,000-kilometer) journey to the Far East and says he will continue his world travds, even going to the Soviet Union and China if such trips can be ar-

ranged. Shortly before arriving here Saturday, the pope told reporters aboard his plane of his readiness to go to the Soviet Union or China, although no plans or invitations for such journeys are known to exist.

"Of course," the pope replied when asked if he would go. "The people of Russia are my brothers

also, like Polish people. Pressed further on the possibility of a Soviet trip, he said: "All is possible in the plans of Provi-

John Paul, looking fresh after a few hours of sleep, made his com-ments as he strolled among the re-

porters in the back of his plane on

the flight from Bangkok. He commented directly on reported government pressures on the Roman Catholic Church in Vietnam. During the trip an exceptional papal message to Vietnam was broadcast, but John Paul did not directly mention the difficulties confronted by the country's three million Catholics, whose government is trying to separate them from Roman authority. Asked whether the church was in danger, he replied:

"It is in difficulties. But it is a very strong church, a very fighting

In reply to a question on whether

O'Neill Predicts Defeat for MX

Washington Past Service WASHINGTON — The speaker of the House of Representatives. Thomas P. O'Neill Jr., Democrat of Massachusetts, has said that he believes the House will reject funding for 30 MX missiles this week.

In an address at Salem State College in Massachusetts on Saturday, Mr. O'Neill said he believed that there would be enough votes at a House debate to stop production of the MX and "put the brakes on this accelerating nuclear arms race by the end of this week."

Mr. O'Neill said President Ronald Reagan was "wrong in his desire to deploy a new generation of first-strike weapons like the MX" and he criticized the administration for a "one-track military strategy rather than a two-track military and diplomatic strategy in dealing with the Soviets."

message of encouragement to the reflect I should give them from the

Questioned about his declarations during the journey, which took him to South Korea, Papua New Guinea, the Solomon Islands and Thailand, the pope defended those statements that had aroused

surprise or misgivings. In Seoul, for example, the pope listened to young people ask him questions that contained pointed criticisms of the state of political and workers' rights under President Chun Doo Hwan and replied with a speech that was considered so religious and general as 10 avoid

stance," John Paul said. "But this gee problem is a human problem."

people, he said: "I expect respect Gospels some principles from for human rights and religious free-which they can get the concrete

answers to their questions. The pope was asked whether two speeches on the problem of Indochinese refugees that he made in Thailand on Friday had not carried the risk that the governments of Vietnam and Cambodia might take

an even stemer attitude. "This would be unjust," he replied, "I accred no power, no authority. I underlined a human problem. This aspect must be stressed. I accused no power. I stated a fact and stressed that there was a moral aspect, which has an international dimension. The problem must be resolved. If our life in this "I am aware that between the world is to be human, we must questions and the answers there is a resolve human problems. The refu-

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(Continued from Page 6) information is desirable, and 1, too, am willing to trust "old-fashioned American principles of common sense and fairness." However, I fear that until the Soviet regime changes its methods, Americans will continue to find that the U.S.S.R. justifies condemnation. MARGARET RIGAL.

London.

Let Professor Cohen whine on about "the defamation of a nation that has suffered and achieved so much." I, along with most people (by Professor Cohen's own admission), prefer to stand by the victims of some of those achievements.

CARLO CRISTOFORI. Luxembourg

Too Much at Any Age

In response to "The Age Factor: Do Americans Want a 73-Year-Old?" (May 5) by Alex Brummer: When Ronald Reagan's entou-

rage keeps close watch over his diet and arranges for rest periods during his state visits, it may be covering up the age question —or it may simply be protecting his health and

his mental alertness.
It would be an excellent thing if all those who plan foreign policy or make crucial decisions that concern us all would slow down.

This is not necessarily a matter of age. Statesmen, civil servants, scientists, industrialists and busi-

They doze off during meetings, forget names or are confused. Can they cope with political or econom-

should think of their health.

In response to the opinion column "Can the 'China Prism' Help Rus-

instead of 1940s-like war arse-

Regarding "Opponents of Botha Reform Launch New Afrikaner Society" (May 8) by Allister Sparks: in an effort to ensure that your

What exactly is the outcome that the United States seeks in Nicara-gua, in El Salvador? If we cannot define the goal with precision, link it to a realistic timetable and monitor progress by some measurable standard (number of human rights violations, quantity flow of Soviet arms into the country, or percentage support for the standing government), how will we know when we have achieved our goal?

dicting Soviet arms? If so, where? In the five (now mined) ports or in the forests and mountains around San Juan del Norte? Specifically, who should be and who is doing the interdicting? CIA operatives? Paid mercenaries? Popular rebels? Is the goal to cripple the economy (which feeds on Soviet trade, but also on West German and Japanese trade)? If so, why? Is that goal consistent with international law? Does it

matter? Should it matter?

A Prism for the '80s

What Exactly Are the Goals in Central America?

inexorably toward execution without the president being able either to obtain a firm grip on it or reverse it." President Reagan and those around him must have this grip on the goals in Central America. The U.S. public should know them.

In Nicaragua, is the goal inter-

Is the goal in El Salvador (and Nicaragua) to establish a U.S.aligned democracy, a nonaligned democracy, a U.S.-aligned non-de-mocracy? Are we aiming for some-thing along the lines of Costa Rica, Guatemala, the Philippines? What precisely are we trying to achieve as we wade deeper into Central American thickets and harbors?

Nowadays many people live longer, work less and lead healthier chambers will be only appendices of the white chamber, the soundsponsibilities and work harder

M.-C. SOLVAY. La Hulpe, Belgium.

sia's Looks?" (May 3) by John Marks and David Landau:

nals, could we not revive the "peace arsenal" image? Such a prism could help Western democracies and the Eastern bloc fend off anarchy, mismanagement and confused ideas. Through a peace prism we could see that the Earth is still rich enough to be a garden but is grow-ing too small to be a battlefield.

MICHEL de SELYS. Braibant, Belgium.

Rights in South Africa

readers do not form the impression that the South African government

Theodore Sorensen, adviser to President Kennedy, reflecting on the 1961 Bay of Pigs disaster in Cuba, wrote: "The whole project seemed to move mysteriously and

ROBERT B. CHARLES.

nessmen suffer from jet lag, poor is in any way making meaningful diets, long working days, stress and changes toward equal political been different. However, the lady's overpacked schedules at any age. power for Coloreds and Indians, father had the passion for power Mr. Sparks claims that they will only a "subordinate form of parliamentary representation" in terms

> ly questioned, as the Colored and Indian chambers will each have a status equal to that of the Whites.

The White chambers will not be able to reverse a single measure approved by the Colored and Indian chambers which falls within the sphere of their respective interest, while in matters of common concern each of the three chambers will have the power to disagree, in which case the president may, during the same session, refer the bill in its orignal form, or in its different versions, to the multiracial President's Council for a decision.

If Mr. Sparks means that the Coloreds and the Indians will together dispose of fewer representatives in choosing the president, he should be reminded that their relative numbers correspond to the composition of the population and that South Africa is therefore not out of step with normal democratic

procedures applicable elsewhere. R.A. DU PLOOY, Ambassador of South Africa.

Carla Hall's feature article on Benazir Bhutto (April 17) reflects a lack of knowledge about Pakistan, and also the desire in the West to divide the people of the region for economic and political purposes by promoting the turmoil that pitches

people against each other. In June 1977 there were demonstrations by a big majority of the people of Pakistan against rigged elections. Why martial law was established is a long story. The 1970 elections in Pakistan gave a majority to the late Mulibur Pahoran of ity to the late Mujibur Rahman of East Pakistan (now Bangladesh); had he been allowed to form a

If you must talk of human rights behest of the Bhutto regime?

Tarragona, Spain.

The Cost of an Expert

Bonn's protocols with Nairobi and Dar es Salaam, an expert is reck-oned as "aid given" to the amount of 300,000 Deutsche marks a year.

I had thought that German experts were about the most expensive ones in the world, but they seem to be just average.

Pakistan Under Bhutto

MARION HUNT.

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government, things would have and one thing led to another.

Human rights violations in one

form or another occur in almost every country to some degree; in some countries they are a necessity for the relative peace of the majority. No leader in his right mind would let his country be ruined by

terrorists or egomaniacs. what of those who spent months in isolated camps in desert areas, or those who were tortured for even thinking of protesting against some of the atrocities committed at the

MOHAMMAD HASSAN.

In "Long Drought Worsens Africa's Bleak Prospects" (April 21), Denis Herbstein writes that the United Nations estimates each expatriate "expert" as costing \$100,000 a year to maintain. This tallies with what I know about the cost of West German experts in Kenya and Tanzania. According to

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business gift.

A guide to offbeat

Full-Time Twice Over

In response to the feature "Barba-ra Bush" (April 12) by Enid Nemy:

While it is pleasant to read about an unpretentious woman who en-joys medlepoint, official visits and volunteer work, Mrs. Bush's comment that "you can't, in my opin-ion, be a bank president and a full-time mother" betrays a woeful ignorance of the job choices that single women who must support their children actually face.

musical sites; helpful addresses, ticketbuying, information on music museums, major festivals. Little known sites and anecdates from the lives of composers. travel advice on 23 countries, a concertgoing glossary in English, French, German, Italian.

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Proverbially Russian

Tell me again, comrade, why we can't go to Los Angeles to beat the Americans.

You'd rather have a pot of gold medals than affirm the honor of the homeland? You'd let them march against us, shout insults at us, lure our

young people into defecting?

Those can't be your reasons. You would let a lew demonstrators prevent a display of superior Soviet man and woman? You really worry about defections? Our athletes compete all over the world without succumbing to their tures. Olympic runners are not ballet dancers,

They are hooting about "captive nations" and they've done nothing to control the smog in Los

Angeles. They are gassing the track!
You can hang a melon from a poplar, but
only the fool will think the poplar a melon tree. You will not persuade anyone with this long Be calm, comrade. Please understand that our

pretexts need not be our motives. Why should we edmit to a boycott and legitimize the Americans' kind of political warfare? Why should we admit revenge for the way they destroyed our Olympics four years ago and give them the satisfaction of knowing it still hurts?

Vengeance denied is no vengeance at all. Oh, they will understand. We're not peasants they can smugly punish us for Afghanistan. It's

who have to tolerate their war in Vietnam while Cheap to eat grapes in the other man's vineyard.
But you let Reagan pose as the champion of peaceful competition. You are re-electing him.
No, comrade, you have it backward. Only necessity teaches a bear to dance. What he mos wants for Election Day are phony negotiations to reassure his anxious people, smiling encounters that will let him boast how he scared us with his saber-rattling. We may not be able to defeat him,

hat we're not going to help him claim that his hostility makes us malleable. Words, words, just words, comrade. No one has ever died of insults. When his farmers complained, he came begging to sell us wheat. At the first sight of blood, he fled from Lebanon. The world will yet teach him its ways without our having to strain so hard.

A wolf without teeth still ogles sheep. Reagan dreams of the teeth of his youth — nuclear "superiority" without American vulnerability. a "rollback" of Soviet power in Europe, a Soviet economy wrecked by the arms race, maybe a capitalist restoration in Moscow. Such a man's words are deeds, acts of hatred.

Will ruining his Olympics cool his passion? It will redeem our self-respect. Half the world jumped through the American hoop in '80. Let them see that half the world now jumps through ours. That is how diplomacy must be waged. If they treat us like equals, we can talk and compete in business and basketball. Treat us like illegitimates ... threaten us with supremacy

then nothing is possible.

Reagan's re-election is highly possible. The horse is often wiser than its rider. Besides, cows have more respect for the ugliest bull than for the handsomest ox

- THE NEW YORK TIMES.

Talking the Rates Up

At the U.S. Treasury, the cost of ineptitude runs extraordinarily high. On Wednesday the secretary, Donald T. Regan, happily joined the White House's attack on the Federal Reserve Board and scoffed at the inflationary implications of that attack. Perhaps it had slipped his mind that on Thursday the Treasury was to sell \$4.75 billion worth of 30-year bonds.

The people buying the bonds thought the possibility of higher inflation less laughable than Mr. Regan did. After hearing him pound on the Federal Reserve to loosen the money supply, they widened the inflation risk premium in their bids for the bonds, which went at an average rate of 13.32 percent a year. That

was the highest in more than two years.

The rate would have been up substantially in any case, since all interest rates have been rising. It is possible to argue, in Mr. Regan's defense, that the administration's continuing deficit accounts for the whole increase and that Mr. Regan's contributions of the past week have been superfluous. But on the whole it seems more plausible to attribute some of the damage to his unrelenting efforts.

If you ascribe an additional quarter of a percentage point to a sudden epidemic of un-easiness among investors on Thursday, you

will conclude that Mr. Regan's badly timed sally on Wednesday is going to cost the gov-ernment \$11,875,000 a year for the next 30 years in additional interest payments. The calculation does not take into account the nearpanic in the bond market that followed on Friday when Mr. Regan renewed his attack.

When people talk of the high cost of presi-

dential election campaigns, you might keep in mind that the conventional accounting — the contributions coming in, the checks going out for television ads and so forth — are the least of it. The serious costs are the election-year distortions of public policy.

That startlingly high rate for Thursday's government bonds is now spilling over into the other interest rates — for industrial bonds, short-term money, international credit. Because mortgages increasingly have floating rates, a rising rate in the market now affects not only people about to buy houses but some of the people who have already bought them. In the past, secretaries of the Treasury have often tried to talk interest rates down by soothing the fears of investors, Mr. Regan, always the exception, has apparently succeeded in

secrets makes no sense after almost two de-

have already suffered so much that all but the

most courageous opponents of the regime's excesses will be deterred from following his

example. If the Soviet leaders are reluctant to

allow the Sakharovs to leave lest they in some

way contribute to President Reagan's re-elec-

tion campaign, they should realize that a mar-

tyr to oppression would produce even more

support for a strong line on Moscow. They

should recognize that their own best interests

talking the interest rates up. - THE WASHINGTON POST.

The Filipino Elections: A Test for Marcos

C AMBRIDGE, Massachusetts — The Philip-pine legislative elections are being held today in an atmosphere of considerable controversy. A number of opposition politicians have refused to participate in a contest that they believe will be a rigged by the government. The United States cannot ignore this controversy, but it must not abandon its efforts to encourage the

restoration of democracy in the Philippines.

Indeed, it should use these elections as an

occasion to pursue that goal by linking future aid to an assessment of the fairness of the vote.

Until the death of Benigno Aquino last Aug.

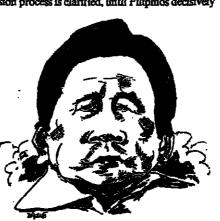
21, the Reagan administration and, to a lesser extent, Congress supported President Ferdinand Marcos because he was a stable ally and because America wanted to retain the air base at Clark Field and the naval station at Subic Bay. Meanwhile, the restoration of democracy was slighted. Now Mr. Aquino's martyrdom and Mr. Marcos's ill health have created the worst instability since independence in 1946 and make necessary a policy reappraisal by the United States.
Why should Americans be concerned about

Filipino democracy? Eighty-five years ago the United States conquered the Philippines and imposed its will on a mature nationalist movement. It justified its imperialism by creating a colonial government that was meant to dissolve itself, evolving in time into independence. The Philippines was to be "a showcase of democracy" by which the world could judge the efficacy of the American way. In the process, Filipinos adopted and came to cherish the Bill of Rights.

The bonds that link the two nations transcend accords on trade and military bases — and they

By David Joel Steinberg

must not be allowed to atrophy due to geopolitical preoccupations or inattention. America must remember its covenant with the Filipinos, helping them regain the freedoms of speech, assembly ing them regain the freedoms of speech, assembly and press, the possibility of fair elections, the writ of habeas corpus, an independent judiciary and a military that accepts subordination to civilian authority. This is the best of America's legacy in the Philippines, and to cherish it is neither neo-imperialism nor fuzzy liberalism. The elections are held against a background of political and economic chaos. Until blame for Mr. Aquino's murder is placed, until the succession process is clarified, until Filipinos decisively



accept or reject the legitimacy of the Marcos government, the Philippines will roll broadside in the heavy swells of economic unrest. Weakened by capital flight and an international ex-change criss, the Philippines owes more than \$26 billion, without any means of repayment. Bank-ruptcy threatens. The social fabric may unravel. But this era of flux can be one of opportunity

for democracy. The elections will test Mr. Marcos's willingness to surrender authoritarian rule.

Meanwhile, the U.S. Congress is deciding whether to after the mix of economic and military assistance negotiated by the Reagan administration as part of the five-year renewal of the bases agreement. Filipinos who have been calling for a boycott want foreign aid cut off, arguing that any aid sustains the Marcos regime. The Marcos government and the Reagan administra-Marcos government and the Reagan administra-tion want Congress to accept the \$900-million agreement as negotiated. The Democratic-led House Foreign Affairs Committee has recom-mended that the package be "front-loaded" to favor economic assistance; it wants \$60 million shifted from military to economic aid in the first year. The Senate Foreign Affairs Committee pro-

poses a smaller shift of \$30 million. This is a useful first step, but Congress should go further by tying substantial additional aid to events in the Philippines. Filipino leaders, in government and opposition, should know that the United States is prepared to help generously to the degree that democracy is restored.

The writer is author of "The Philippines: A Singular and a Phiral Place." He contributed this nent to The New York Times.

... or a Diversion the Electorate Should Boycott?

MANILA — I have decided to boycott to-day's legislative elections because I believe in democracy. Filipinos have always been proud of the freedom and democracy we learned from America, But we in the boycott movement feel that this freedom and democracy have been dis-torted by the Marcos government. We have de-cided not to participate in a vote that we believe

can only serve to prop up that tottering regime.

We firmly believe that the only way out of the quagmire that our dictatorial system has led us into is through a return to genuine democracy.

That is not to say that the democratic process can append a marginal quick for It will be a long bank. provide a magical quick fix. It will be a long hand back to any semblance of a healthy economy or a just society. But the long haul cannot even begin until Filipinos start to participate in the political and economic decisions that shape their lives. It is precisely because of our belief in the importance of restoring real democracy that we in the boycott movement refuse to sanction the sham democracy of these elections. At this mo-

sham democracy of these elections. At this moment of unprecedented national crisis — economic upheaval and political ferment triggered in large part by the assassination of my brother, Benigno S. Aquino Jr. — we can ill afford to divert resources, time and hopes to an illusion.

In doing so, we would only risk losing sight of our real goal — our hopes for meaningful political change. Worse, by investing our people's hopes in a meaningless electoral process, we would be inviting cynicism and eventual alienation from any kind of democratic path.

By Agapito Aquino The writer, brother of Benigno S. Aquino Jr., has been increasingly active in politics since his brother's assassination last Aug. 21.

Many Filipinos question whether honest elec-tions are possible under the Marcos dictatorship. The national voter re-registration that took place in late March was marred by unprecedented anomalies, and the voting may well be even worse. Yet our decision to boycott goes deeper. No one can deny the central role of credible elections in the democratic process, but it would

elections in the democratic process, but it would be myopic to equate elections per se with the substance of democracy. It is all too possible for even honest elections to become an empty symbol that masks the absence of democracy and indeed is used to defuse the demand for it.

That is particularly true in a country like the Philippines, where all power resides in one man and the people have no effective institutional control over his power. In this setting, the only meaningful election is one that offers a realistic hope for the limitation of such power. Today's

balloting promises no such thing.

Why, after all, should we bother to vote for a
National Assembly that is rendered superfluous
by the president's powers to decree law at will
and override whatever laws the assembly can manage to enact? What meaning can be ascribed to "clean, honest elections" in a nation where the president can arbitrarily arrest and detain any

citizen? What purpose is served other than to allow the regime to make a false claim to democracy before its citizens and the world?

It was with this in mind that virtually all significant opposition groups — including those who have since decided to participate in the vote — joined size January in a "Call for Meaningful Elections." Our point was that a government that pretends to aspire to democracy should relin-quish at least those blatant dictatorial powers

that make a mockery of its claims.

President Ferdinand E. Marcos's only response was to go out of his way to affirm that the election of a new National Assembly would in no way diminish his arbitrary legislative pow-ers. It was a clear admission that these elections will be a travesty of democracy.

Certainly there are worthy men among those who have chosen to contest these elections. The tragedy is that their electoral victory can only lend respectability to the democratic facade of the Marcos regime without in any real way denting its dictatorial powers. Unwittingly, then, they are assisting the regime to recover the equilibrium it has lost since my brother was assassinated.

We in the boycott movement intend to use all available nonviolent means to achieve democra-cy for the Filipino people. Today's boycott is only one step. But it is a necessary step to discredit the dictator's false democracy and bring us closer to the day when we can hold elections worthy of the name.

The New York Times.

Other Opinion

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Executive Editor Editor

Concern for the Team's Safety

No, the Russians are not boycotting the 1984 Olympics in Los Angeles. They are just staying at home because they believe that there are fringe groups in California who would delight in putting a bullet through the back of an athlete wearing a Soviet track suit.

[The Russians] are genuinely concerned about the security of their sportsmen and women. It is not defections that they are worried about. Their track and field teams have traveled the world, and so have their gymnasts and ice hockey players, without any defections, so far as any of us in sport know.

In the context of a nation which has witnessed the assassinations of Jack and Robert Kennedy and Martin Luther King and the shooting of President Reagan, some extremist groups are now distributing lapel badges which say, "Kill a Russkie."

- Christopher Brasher in The Observer.

Better to Let the Sakharovs Go

It seems strange that the leaders of a superpower should be so afraid of an elderly invalid couple that despite worldwide opprobrium they are determined to put at risk the lives of Andrei Sakharov and his wife Yelena Bonner. What is this perceived threat to the Soviet regime? Can it really outweigh both the demands of human decency and all rational arguments about the damage that such harsh treatment does to the desired image of the U.S.S.R. - promoted at considerable expense - as the cradle of the welfare state and the shining beacon for the future of mankind? The claim that [Dr. Sakharov] cannot go

abroad because he is in possession of state

1909: Armenian Slaughter Is Retold

MERSIN, Turkey — It now seems that at least 6,500 must have perished in Adams during the

recent massacres, and possibly 35,000 in the

entire vilayet. The massacre was one of the

most ruthless in Moslem history. I forbear to

relate any of the stories which form the basis of

this statement, with the exception of one. It

will illustrate the wholesale scale upon which

the massacre was conducted. After the first

outbreak more than 2,000 refugees gathered in

the Armenian school. On the ground floor

Miss Wallis, an English nurse, had opened a

hospital, with more than a hundred cases of

wounded women and children. On the fatal

evening of the second outbreak this building

was fired by the troops. Only eight escaped

alive. Here 2,000 were added to the death roll.

PHILIP M. FOISIE

WALTER WELLS ROBERT K. McCABE SAMUEL ABT

coincide with the hopes of decent people everywhere, and let the Sakharovs go. - The Times (London). A Woman's Place Is in 1988?

The idea of slating a woman for the vice presidency is being widely discussed. Jesse Jackson has promised that if he wins the nomination he will choose a woman as his vice presidential candidate. Walter Mondale is probably too cautious to take a chance as eemingly radical as slating a woman on a major party ticket for the first time. Still, political observers feel the day when a woman receives at least second place on a ticket is not far ahead - perhaps as close as 1988.

The serious talk about it this year seems likely to nourish that possibility. Robert Teeter, the Republican pollster, notes: "There has always been a segment of the electorate that was favorably moved by the idea of a woman on the ticket, and an opposite bloc that was put off by it. But the group that was offended by it was always significantly larger." This year "about as many people are favorably impressed by the idea as are offended by it." Loye Miller Jr. (Newhouse News Service).

1934: The Right Hails Jeanne d'Arc

PARIS - What was expected to be just anoth-

er routine celebration of the day of the sainted

Maid of Orleans, France's national heroine,

was transformed [on May 13] into the first

nized and militant right-wing forces, as 60,000

Royalists, Nationalists and other patriots

marched from the statue of Jeanne d'Arc in the

place Saint-Augustin to her other likeness in

the place de Rivoli, in a display of national

sentiment such as the capital has not seen since

the Victory March down the Champs-Elysées

at the end of the World War. The usually quiet

ceremony developed spontaneously into a demonstration of patriotic nationalism, as if

the determined spirit of the Maid herself had

returned to the country she once set free.

RENÉ BONDY
FRANÇOIS DESMAISONS
RICHARD H. MORGAN
STEPHAN W. CONAWAY
Deputy Publisher
Deputy Publisher
Deputy Publisher
Director of Controllation
Director of Operations

82.53

mass demonstration in Paris of France's orga-

A Crisis for Jayewardene: Kidnappers in the North

 ○ OLOMBO — It is Vesak season in Sri Lanka, traditionally a time of fun and festivity, a commenoration of the Buddha's birthday, an annual occasion for festooning homes with multicolored lamps and for exchanging gifts. But for President Junius Jayewardene and many

of his 15 million countrymen, the joy of this year's Vesak has been soured Late last week Tamil separatists in the province of Jaffna kidnapped two Americans, Stanley and Mary Elizabeth Allen. The couple, married two months ago, were working on a water supply project in the north. They will be killed, the kidnappers say, unless the government coughs up \$2.5 mil-lion in gold and releases 20 imprisoned Tamil terrorists. The kidnap-

pers set a deadline for today. We will not pay any ransom, nor will we release any terrorists from prison," Mr. Jayewardene said in interviews during the weekend. "We do not bargain with terrorists."

The kidnappings threaten to re-ignite racial strife and frustrate painstaking efforts to make this pro-Western democracy a humming economic dynamo to rival Singapore.
"We would like very much to seek By Pranay Gupte

preserve our unity."

the record, but he is understood to be

convinced that Tamil terrorists re-

ceive arms and money not only from

Tamil organizations in America and Western Europe but also from Marx-

ist and other radical governments. Sri

Lankan authorities believe that Libya

has long helped some of the terror

ists. There is evidence that the PLO has provided military training.

Trincomalee harbor, a deep-water

port coveted by the Soviets as well as

by the Americans for a possible base,

is part of the region that separatists want to see included in a Tamil state.

The West has other stakes in Sri

Lanka. Under Mr. Jayewardene the

a political solution to our ethnic problems," Mr. Jayewardene said, but such a solution must be in the framework of a democratic environment. These terrorists have captured two innocent Americans and are threatening to kill them. Tactics such as these are not going to work. We simply do not bargain with terrorists. And we will never allow Sri Lanka to be divided into two nations.

Mr. Jayewardene is furious at what he sees as propaganda victories by Tamil separatists who grab headlines in Western media with allegations of human rights violations. "The terrorists are tied up intimately with the separatist movement, and now they have cleverly linked their movement to the human rights issue," he said, singling out Amnesty International

for special criticism. "Many people in the United States and elsewhere in the West have been misled into supporting the Tamil sep-aratists. I hope that with this kidnap-

before giving such support again ... Western democracy. With his belief that Western-style, free-enterprise wast is this: Do not be misled by

stories of harassment of minorities in Sri Lanka and of violation of human

а wопа Signs of economic developmen and democracy are everywhere. Tall buildings are going up in Colombo. Luxury hotels have sprouted along its rights. That does not happen in my country any more than it does in the United States and in the West, Linbeachfront esplanade. Japanesecoin went to war to preserve the unity of America. We also will fight to Shops are plentifully stocked.

Unemployment is easing and basic commodities such as rice, kerosene Mr. Jayewardene will not say it for and cooking oil are no longer scarce and expensive, as they used to be under the socialist rule of Sirimavo Bandaranaike. Colombo airport is one of the busiest in Asia.

Newspapers, however laudatory of Mr. Jayewardene, are free to express editorial opinions. There is no shortage of dissenting intellectuals. The literacy rate, at 95 percent, is probably the highest in the Third World. In the countryside, farms are doing well -a good test of whether "development" is filtering down. Most vil-lages are electrified. Modern medical services are available everywhere The infant mortality rate is among the world's lowest, at less than 20 per 1,000 live births. Annual population growth, once above 3 percent, has been brought below 2 percent by an

intensive family planning program. Tea plantations are so productive that Sri Lanka rivals India among leading exporters. An export zone near Colombo continues to create jobs. Despite last year's racial disturbances, the real economic growth rate

in 1983 was almost 5 percent.

Mr. Jayewardene has persuaded more and more Western businesses to invest in Sri Lanka. Now he fears that with the escalation of terror tactics by the Tamil separatists, potential West-em investors will be discouraged.

Last year's riots resulted in a reduction by nearly a third of much-needed tourist traffic from Western Europe and the United States. The kidnapping of the Allens is no help. International Herald Tribune

The Baltic: No Simple Answer

By Stephen Rosenfeld

WASHINGTON - Did Amerithe Soviets have charged, "connive" in the planned harassment by Baltic emigres that Moscow cited in pulling out of the Olympic Games? There is no evidence that Ronald Reagan's hand directed the campaign. But the sequence does reflect his impatience with the ambivalence — the fundamental, unsatisfactory and necessary ambivalence — of America's Soviet policy since the war.

Many Americans are unfamiliar with the three small Western-oriented Baltic nations — Lithuania, Latvia and Estonia — that the Soviet Union and Estonia — that the Soviet Union invaded and swallowed in 1940. But the Reagan administration has paid major attention to human rights and national aspirations there.

Mr. Reagan saluted their "struggle to attain the freedoms we enjoy" on Baltic Freedom Day last June 13. He set up a new Baltic service of Radio

Liberty last Nov. 18 to "reinforce the distinct identities of the Baltic states and separate them from the rest of the Soviet Union." His administration undertook separate reports on the Baltics in the State Department's annual human rights survey. It has pressed Baltic human rights griev-ances in international forums. On March 17, the State Depart-

ment's human rights officer, Elliott Abrams, addressed the Baltic American Freedom League in Los Angeles.
The league led the effort to ban Soviet participation in the Los Angeles games and, if Soviet athletes came, to lure defectors from their ranks.

It is clear that the Kremlin was obsessed by the fear of defections. Hence its designation of a KGB officer as an "Olympic attache," its insistence on housing all Soviet athletes on a ship and, in some measure, its

decision to pull out.

I find nothing in the Reagan administration's solicitude for the Baltic states that could reasonably be taken as direct encouragement of the emigre campaign. Certainly it was not the responsibility of the U.S. government to take special measures, abridging the rights of U.S. citizens, so as to spare the Kremlin the humiliation that each defection conveys. Indirect encouragement, however,

is another matter. "I would like to take this opporturnity to declare my solidarity, and the solidarity of the Reagan adminis-tration, with the people of Lithuania, Latvia and Estonia, and to appland you for your work on behalf of the Baltic peoples," Mr. Ahrams said, speaking as the émigré campaign was getting into gear. He was not, I believe, winking. But he was ignoring what might have been on the minds

Then there is the strand of Reagan nomic development, Mr. Jayewardense is a moise in the Third Street

Union is an illegitimate and impermi stale. As Mr. Abrams in the course of rejecting the "realism" that consigns the Baltic states to irreversible Soviet dominion: "Is it realistic to assume that the sole remaining colonial empire, the Soviet empire, will survive forever?"

We see here the administration's easy, troubling passage from a heartfelt and deserved sympathy for the Baltic peoples to the evocation of a radical doctrine sanctioning a crusade to free the Soviet Union's non-Russian components from Russian as and Communist rule - not just to

recolor the map, but to redraw it. The Reagan administration is no-where near inciting subject peoples to revolt. But can its doctrine even be hinted at without raising suspicions in Moscow which work against other purposes of United States policy? And without encouraging victims of Soviet power to dream impossible dreams of American support?

dreams of American support?
Since World War II, U.S. policy has combined a philosophical rejection of the unjust Communist order, and a pragmatic acceptance of the companies with the Kremlin for expedient but not unworthy considerations of, ultimately, war and peace. But Mr. Reagan, more than any other president, has conveyed a visceral distaste, verging on loathing for the compromises inevitably required. This is the heady element that has been picked up both by the Soviets, who are angered and (rightened, by it (and with good reason, because it threatens their ill-gotten gains) and by the likes of the Baltic emigres, who

see it as light itself. Unfortunately, there is no satisfactory way to be true to the victims and responsible to the wielders of Soviet power at the same time. But good sense — yes, realism — requires accepting the burden of making a conscientions my.

The Washington Post.

All the Way To Newark

By David S. Broder

WASHINGTON — A shrewd Nebraska Democrat says it is like the body rejecting an organ transplant I think it is more like the girl turning her head at the last minute to avoid a kiss on the lips. Whatever the metaphor, there does seem to be a reluctance on the part of the Democratic Party to accept the inevitability of Walter Mondale. Every time it looks like he has the presidential nomination safely in

his grasp, somehow it wiggles free.
Whether this is just coyness on
the part of the Democrats, or some primitive instinct for political surrival asserting itself, the refusal of Ohio and Indiana Democrats to endorse Mr. Mondale's candidacy means that his long struggle with Gary Hart and Jesse Jackson will go on to the final day of primaries on June 5 — when, at long last, New Jersey will have its say.

Nonsense, you say. The big test on the final Tuesday will be California. California elects 306 delegates that day, New Jersey a mere 107. The final television debate will come from Burbank, not Trenton, I know that. But I also know that there is no way Fritz Mondale is going to beat Gary Hart in California. I have been to California with

Mr. Mondale, Many times. Mr. Hart and Mr. Jackson are swingers. They both have Hollywood pals and fit right into the
casual scene. Mr. Mondale's idea of
fun is ice-fishing, not hot-tubbing.

ads questioning Mr. Hart's readiness for the presidency. Mr. Mondale has the backing of several of
the congressmen, the speaker of the



I remember a trip Mr. Mondale made to San Francisco when he was vice president. In the middle of his rally, a group of aggressive homosexuals came onto the stage and began heckling Mr. Mondale fled His retreat from California will be less precipitous this time, but I would bet that after he surveys the scene, he and his managers will conclude that although they might hold down Mr. Hart's margin, they can-not beat him on the West Coast.

They will try to do it in New Jersey. Mr. Mondale has friends in New Jersey. Poll results published last month in the Newark Star-Ledger put him II points ahead of Mr. Hart, with Mr. Jackson well back. New Jersey gets most of its televi-sion from New York and Philadelphia, so the Democrats have already scen Mr. Mondale's "red phone"

statehouse and organized labor. But he also has potential problems. Mr. Jackson has an urban base, with large black populations in Newark, Trenton, Camden and Atlantic City. Newark's Mayor Ken Gibson drew 15 percent of the votes in a 1981 gabernatorial primary, and it would not be surprising to see Mr. Jackson break 20 percent,

On the other flank, the vote outside the cities includes many of the independent-minded suburban and rural types among whom Mr. Hart has shown his greatest strength.

Does Mr. Mondale need a New Jersey win? His managers say no --

that he can pick up the delegates he needs without it. That is doubtful His last primary win in a major state came on April 10 in Pennsylvania. That may seem like old news to the convention delegates in July. New Jersey could cinch the nomi-nation for Mr. Mondale — or throw

the nomination open. Mr. Cohen doubts whether slave The Washington Post.

LETTERS TO THE EDITOR

Viewing the Soviet Union

Stephen Cohen, in The Soviet Union: A Script of Bad News and Loaded Language" (May 7), suggests that the American media are responsible for "wholesale vilification" of the Soviet Union. I suggest that fairminded analysis produces the results that Mr. Cohen deplores.

America has a government elected by a democratic process; the Soviet Union has a regime imposed by a Communist minority elite. America has security organizations to safeguard its welfare and a police force paid by the community; the Soviet Union has secret police in a complicated network of spy rings, and peo-ple watch over fellow citizens and innocent visitors with no public accountability. America has allies who choose whether or not to continue in that status; the Soviet Union has satellites that face certain invasion if they try to break their ties.

labor is a fair description of Soviet

penal inmates. In Soviet prisons, iabor camps and psychiatric hospitals prisoners are forced to work long hours without industrial safeguards. In freezing conditions, wearing inadequate clothing and with severely restricted diet, men are forced to polish prisms of glass or perform other dangerous tasks that no normal workmen, would consider without masks, specially padded clothes and so on. At some labor camps in which men are forced to mine uranium, average life expectancy is reported to be three months. Slaves might expect better.

I agree with Mr. Cohen that new

(Continued on Page 5)

Letters intended for publication

should be addressed "Letters to the Editor" and must contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

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Foreign **Debt Load** Reaches Plateau

Special to the IHT

ROME - Italy's external debt osition, after having worsened ramatically following the second il price explosion in the late 1970s, as reached a plateau as foreign orrowing by state enterprises ases and the outlook for the balnce of payment shows signs of

Total external debt at the end of ust year rose to \$54 billion, from 48.6 billion at the end of 1981, flecting a marked slowdown in ie rate of increase compared with 979-81 when it rose to \$48.6 bil-on, from \$28.2 billion.

The debt position, net of overas loans and commercial credits v Italian banks and currency rerves of the central bank, has also abilized and in 1983 was practiilly unchanged from the previous ear, at \$20 billion.

Central bank officials express infidence that the situation is rmly under control as an improvg current account allows not relyments to begin on maturing ans taken out in the late 1970s. While repayments have gathered ace, Euromarket borrowing, nich accounted for \$40 billion of tal 1983 debt, has slowed, falling om \$11.8 billion in 1981 to \$7.7 llion last year. Bank of Italy offials forecast that new Euromarket prowing this year will probably no higher than in 1983 and ostly to finance repayments of

Italy's external debt worsened arply in 1980 as a soaring oil bill nced the current account sharply o deficit. Italy's monetary au-orities resorted to overseas borwing to finance the deficit, prering not to draw on precious rrency reserves. The situation deiorated further in 1981 as strong mestic demand, increasingly out phase with the international ecomic cycle, drew in imports and pt the current account firmly in

The present policy of the central nk and Treasury is to hold the debt position at its current lev-But Bank of Italy officials bemts, which last year swang into a 30-million sarplus after barning a \$5-billion deficit in 1982, ues to improve nel repaym build be possible this year.

Enroloan repayments are expect-to total about \$4.5 billion in \$4, and central bear officials pe that nearly one quarter of this sount could be net repayment, aming optimistic forecasts of an proved balance of payments are

Bank officials say Italy's current count should stay in balance this (Continued on Next Page)



Use of cash distributors is rising; report inside.



Central Bank: Fighting Free Spenders

ROME — Italy's central bank has diligently built up an international reputation since the war, orchestrating the country's speciacular growth in the 1950s and 1960s and then steering the economy clear of the rocks as the miracle years gave way to leaner times in the 1970s and 1980s.

That reputation appears to have more or less survived the wide-spread criticism at home and abroad over the central bank's handling of the Ambrosiano affair, which culminated in the Milan bank's spectacular demise nearly

But as the country's ballooning audget deficit looks set to reach 95 billion lire this year, equal to 16 percent of gross domestic product, some analysis are wondering whether the bank has been sufficiently resolute in standing up to resource from Italy's free spend They seem to be less in control

than they were 10 years ago," a Milan-based American banker said. "But they certainly deserve full credit for attempting to handle

Few would question the sheer professionalism and technical comnce of the bank's han the monetary situation through a recession that coincided with three to grow relentlessly, the Treasury

squeeze that proved so tight that debt-financing costs.

The Treasury is u credit growth stayed comfortably within a corset on bank lending which was finally phased out in the debted industrialists to help ease

By selling Treasury paper from its own portfolio ahead of Treasury bill auctions and then buying them back two days before they are placed, excess liquidity has been drawn out of the system and pumped back in time to absorb the bill issues, ensuring that money market interest rates do not fall in

As the budget deficit has grown
— from 13.2 percent of GDP in
1981 to 16.6 percent last year—the
central bank has acted skillfully to smooth the process. It responded quickly and effectively to a scare in late 1982 that the Treasury might be forced to consolidate its ballooning short-term debt.

The weighting of the debt has barred from subscribing to threemonth Treasury paper.

change rate, the bank has encouraged a controlled but gradual denation of the currency. The lira has fallen more than 20 percent But as the deficit has continued

years of virtual paralysis in govern- has put intense pressure on the cen-

second half of last year. Until re- punitive interest rates. As the econsecond man or last year. Onto recently it resisted Treasury pressures to bring down interest rates, carefully managing liquidity in the

pumute interest rates. As the economy has picked up and tax revenues have risen, the bank has been
carefully managing liquidity in the
able partly to accommodate to

banking system through reverse re-purchase operations on the money the money count rate. Meanwhile, there are more than 1,000 banks to superalso welcome signs that the rate of Some observers believe the bank

versity, has suggested that the bank

would be in a stronger position to

stand up to pressures from the ex-

ecutive and other quarters if it were

placed under the statutory control

But whether parliament would

prove any less interfering than the

executive is perhaps an open ques-

growth in the budget deficit may be has never completely recovered its The central bank's admirers say that it has steered a middle course between excessive rigidity and outright monetary laxity. But critics a politically inspired attack on the institution's independence, arrestsay it has not been restrictive enough and argue that it has been too anxious to adjust to Treasury ing a senior official and questioning the then governor, Paolo Baffi. Attilio Mouti, a noted economics professor at Milan's Bocconi Uni-

The most vivid example of this occurred last year when the Treasury was forced to go cap in hand and borrow on its current account with the Bank of Italy after it had exhausted the ceiling set for Trea-sury bill issues in the 1983 budget. The bank allowed it to do so and

then agreed on a special advance of 8 trillion lire, the first time such an been gradually restructured as emergency facility had been grant-short-term Treasury bill rates have ed in peacetime. If the Bank of been allowed to fall while long-lerin rates have been helped up-ward. Private investors are now that a tougher line would at least have confronted Italy's politicians Meanwhile, regarding the ex- with the consequences of their reckless financial profligacy.

The Ambrosiano affair also suggested that the Bank of Italy can be hesitant to stand up to the presagainst the Deutsche mark since sures put on it and to make its policy directives stick.

A Bank of Italy curcu June 1981 asking Italian banks to provide more information about tral bank in recent months to cut their foreign banking operations the bank applied a severe credit interest rates to relieve escalating was only complied with after the defenders say that it is only doing its best in what is ultimately a hosnile environment.

"I don't think the Ambrosiano

Bringing Down Inflation Remains Prime Target Of Craxi Government

By John Phillips

ROME — This year Communist and Socialist trade unions held separate May Day demonstrations for the first time in 12 years in a sign that Prime Minister Bettino Craxi may at last be making progress against some of Italy's more deep-rooted economic ills.

The labor movement in Italy is deeply divided over Mr. Craxi's attempts to bring down inflation by freezing part of the protection of workers' salaries accorded under the controversial scala mobile indexation

Government economists believe it is vital that Mr. Craxi's incomes policy succeed in order to reduce the cost of servicing the massive budget deficit, free the financial scene of excessive concern with the publicsector borrowing requirement and push down very

With inflation at 11.6 percent, the Socialist prime minister's five-party coalition last month issued a new decree limiting automatic wage increases, a day after a similar measure failed to win parliamentary approval and expired because of opposition from the Commu-

nists, the largest Marxist party in the West.

The first decree, proclaimed on Feb. 15, set a limit on increases granted by the escalator mechanism of the scala mobile. The government hopes to force inflation down to 10 percent this year. The main government concession in the second decree is to cut from

one year to 6 months the period for which it will apply. The new decree took immediate effect but, like its predecessor, it must receive parliamentary approval before a 60-day deadline expires next month, a day before the elections in Italy to the European

Political experts say those polls will be a major test for the 50-year-old Mr. Craxi and will measure the real strength of the Communists, Italy's second largest political grouping, for the first time since regional and other local elections were held Nov. 22.

Electoral considerations will thus play a large part in maneuvering around the crucial decree. If the decree fails to win approval for a second time because of Communist obstruction in parliament, it could, in theory, be introduced again

But if the government decides against introducing the decree a third time it would have to compensate wage earners for the money lost while the decree was

The International Monetary Fund warned Italy in November of potentially disastrous consequences to

be expected if it did not at once make an effort to put its finances in order. Italy's business community is also well aware that it cannot reap the full benefits of world recovery with an inflation rate nearly three times the average of its competitors.

The public-sector deficit currently amounts to more

than 15 percent of gross domestic product.

The Bank of Italy, Italy's central bank, said in March that the extent and duration of recovery depends on curting its budget deficit and on the effectiveness of incomes policy. The economy began to recover in the second part of last year as a result of a growth in exports, but gross domestic product fell by 1.4 percent, according to Bank of Italy figures.

The central bank expects the economy to exact 2.

The central bank expects the economy to attain 2-percent growth this year but only if the government can fulfill its goal of bringing down inflation. Treasury Minister Giovanni Goria said he hopes to hold the budget deficit at 90 trillion lire, which would be a significant drop in real terms.

In addition to its key incomes policy, the government has made efforts to cut back on health and welfare spending and to streamline often inefficient

The state industry consortium IRI last month announced that it plans to sell shares in 13 of its companies either on the Milan Bourse or to foreign investors. Companies to go up for sale will include the Aeritalia aerospace group, the ATI domestic airline subsidiary of Alitalia and a national highway

The state-owned energy concern ENI is to sell 20 percent of Saipern, the oil and gas pipe-laying and drilling company. However, Italy has done precious little to trim its steel industry, which is currently losing

more than \$1.3 billion a year.

The government has only fared moderately, in addition, on putting its balance of payments accounts in order. The current account was in a deficit of \$5 illion as recently as 1982 but swing into a surplus in

Italy had its biggest monthly balance of payments deficit for more than a year in March, amounting to 1.952 trillion lire. That took the total deficit for the first three months of 1984 to 3.252 trillion lire, compared with 2.128 trillion lire over the same period of

import of raw materials, as well as other side effects recovery under way, probably account for the (Continued on Page 10)

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Is It Time to Restructure the System?

By Bruno Brovedani

ROME — The Great Depression left a deep mark on the Italian banking system, which by now is so ingrained that removing it may be extremely hard. Ownership structure and regulatory framework — still based on the 1936 banking law — are beginning to show signs of aging for they often run counter to the basic requirements of modern banking, such as flexibility and a frontierless environment.

The institutional segmentation of the fi-nancial system along specialized lines, the far-reaching controls on early and the widefar-reaching controls on early and inspected state ownership are in fact all legacies of the Depression years when the mood was somewhat paternalistic and more nationalistic than it is today.

Italian banks' application is too low by

Italian banks' cap modern standards; they, therefore, stand in need of capital, but their major shareholder, need of capital, but their major shareholder, the state, is hardly in a position to provide it. Banks must offer a broad range of financial services, but their forced specialization prevents them from transgressing the rigid confines of their statutory rales. Banks need to expand abread, but their hands are fied by

exchange controls. What, then keeps them affort in our highly competitive world? One explanation is the advent of the financial conglomerate, which offers the opportunity to combine the advantages of insutational specialization and unified management. Another is the flexible application of the rules by a central bank that is fully aware of the seeds of international competition. Yet another explanation is the creativity and financial ingenuity of Italian bankers with an extremely modern approach.

But even if bankers, like chameleons, can adapt themselves efficiently in a jungle of obsolete rules, they cannot but feel instrated when they come in touch with managers of foreign banks who enjoy much greater lati-tude within their national legislation and statutes. The inspiring experiment in deregu-lation in the United States is being carefully studied in Italy, but the movement, if any, in

that direction is frustratingly slow.

There were more than 1,000 commercial 12,000 offices. These are the hard core of the

Italian financial system, which also includes about 40 special credit institutions for development financing in various branches of economic activity. Lastly, there is a growing number of financial intermediaries, which provide all kinds of near-banking services (mutual funds, factoring and leasing compa-nies and several others).

The current classification of credit institutions in Italy — also a legacy of the Great Depression — is based on a ngid distinction between short-term activities (deposits and loans with less than 18-month maturity) and medium-term banking ones, on the one hand, and near-banking on the other. Development financing is the province of special credit institutions, the bulk of which, however, are controlled by banks through participation or iffiliation, as are also most other financial intérmediaties.

The major private banks fell into government hands as a result of the Depressionrelated state of insolvency. In a large bailing out operation, their entire share portfolio, including the banks' own shares, and medium-term exposure were taken over by a gov-ernment holding company, IRL It was an accident of history rather than a deliberate policy of nationalization. But state ownership and management control proved convenient and were gradually extended over the years. By the end of 1982, about 75 percent of bank deposits were managed by government-con-trolled credit institutions. Though the government may now be willing to accept a gradual reduction in control, it is not giving any signs of going as far as to give up its majority shareholding position. Divestment is rarely advocated in Italy, perhaps because banks are practically the only profitable state venture, even though state-ownership may conflict with the requirements of a gradual internationalization of financial markets.

Banks are still the recipients of most financial savings, but the share flowing through them fluctuated widely between a peak of 80 percent in 1974 — when the oil shock and inflation baseded off a large state of the shock and inflation knocked off a large percentage of the bonds' value and made them mattractive to investors - and 38 percent in 1980, when There were more than 1,000 commerciant and savings banks at the end of 1982, with the aggressive competition of tax-exempt the aggressive the aggressive competition of tax-exempt the aggressive the aggressive that the aggressive the aggressive that t

improved in 1982, but there was a turn for the worse in 1983-84, when the withholding tax on banks' interest payments was moved up to 25 percent. The banks' direct competitor in the collection of savings is the government:
Through the issue of high-yielding tax-exempt securities, it increased its share of financial savings from 6.3 percent in 1975 to a peak of 39 percent in 1981.

In the last decade, the abrupt changes of the relative yields of the different saving instruments available (bank and postal deposits, Treasury bills, securities) would have been much more disruptive of financial markets but for action by the banks. Because of their strong position, they were to mitigate the overall strain by acting as a "balancing wheel"—shifting funds from the short-term market to development financing, and from loans to government securities, or vice versa. The arrival of foreign banks - there are

now 31 branches operating in Italy — has stimulated competition and made useful contributions to imancial ingenuity and creativity. Simultaneously, and responding to the EC exhortations to allow free entry, liberalize credit controls and adapt the Italian system to those of other industrial countries, the monetary authorities are taking cautious steps toward deregulation. The banks, for their part, are moving rapidly to strengthen their financial network in Italy and abroad and forge it into an efficient instrument serving the needs of a modern business communi-

Although the "banking group," or con-glomerate, offers a splendid opportunity to cope with the rigid requirements of the exist-ing legislation, the need for deregulation is still keenly felt, particularly with regard to foreign exchange controls, the segmentation of credit institutions, supervision on new entry and strict operational rules.

Bruno Brovedani is an international adviser and consultant with the Banca Nazionale del Lavoro in Rome and edits its monthly review "Italian Trends." He was previously the bank's chief economist and head of the research department. Before that he worked with the International Monetary Fund in Washington.

Government Intervention Provides a Safety Net for Business

By Sari Gilbert

ROME - The average visitor to Italy would describe this country's economic system as capitalist. He is probably unaware that behind the free-market glitter of this consumer-conscious society there is a strong interventionist mentality that has made the state a last resort for problem-ridden companies and, in the process, a prime if troubled economic mover.

Perhaps, surprisingly to many, this interventionist ethos antedates the political involvement of the Italian Socialis's that began in 1963 and can be traced instead to the postwar political and social concerns of the then-ruling and still-dominant Christian Democrats.

In the new Italian republic the interventionist gospel quickly took root. According to this outlook, the state was first of all not to be excluded from the strategic sectors of the economy and a second major tenet was that political and trade union problems could be best avoided, whatever the consequences to profitability, by keeping companies on the brink of bank-

sive and debt-ridden state shareholding sector, easily susceptible to political manipulation, which after decades of serving as a sort of sick bay for ailing companies represents a notable drain on the Italian econ-

omy with its huge public deficit.

Alongside this economic giant —
the state sector in itself involves close to 1,000 companies and almost 750,000 employees -- is an additional special-law rescue net-work that has now come under heavy fire. For despite good intentions, the system as it now stands has functioned poorly, not least because of its negative effect of draining capital away from more worthy recipients.

At the end of 1983, the situation of the state sector was far from encouraging. The three giant state holding companies, IRI, ENI, and EFIN, registered combined losses

of more than 5 trillion lire. IRI, which has interests ranging from shipbuilding, steel, banking and telecommunications, to highways, glassware, articbokes and canned tomatoes (and also owns

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finance for industry

Paid-up capital and legal reserves: 1,359.8 billion lire

> Allowances for losses: 749.5 billion lire

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ing (Alfa Romeo) are all doing bad-several subsidiaries of Montedison. ly. But at least two-thirds of the company's 1983 losses of 3.2 trillion lire can be attributed to the situation was less encouraging, al-stagnant Italian state steel sector, though some EFIM companies, for whose poor performance far out- example Oto Melara, arms manushadows even the bright spots like facturers, Breda Railways and Ital-STET, the IR1 telecommunications ian Glassworks are doing well, total subsidiary, which last year had 1983 losses are expected to reach at profits of 450 billion lire, and Aerileast 600 billion lire (almost double

bleak, due largely to new manage-ment of both IRI and ENI by economists committed to resurrection

debts have been contracted. There also engendered sharp criticism for have also been no new industrial inefficiency and wastefulness. takeovers, and IRI's SOFIN subtakeovers, and IRI's SOFIN subsidiary has been successful at salcurrent grumbling — both sched-

president, Franco Reviglio, to pre-dict that this year ENI may finally Owned 50 percent by IMI, the break even. Owned 50 percent by IMI, the state-owned medium-term credit

a sharp reduction, from 1.176 tril-lion fire to 654 billion fire, in indus-now holds partial or controlling trial losses, 712 billion fire of the stakes in about 200 companies, curdeficit going for interest on debt rently employing close to 36,000. repayments. In fact, 1983 regis- Although over the years GEPI tered profits of 759 billion lire in bas restored 100 firms to total pri-

ruptcy from going out of business.

The major result has been a massive and debt-ridden state sharesive and debt-ridden state sharesive and debt-ridden state sharesive and television network), is Eugency—whereas losses increased rope's biggest single company with in minerals and metalingy and re-540,000 employees, a turnover of mained high in chemicals, making 36 trillion lire — and accumulated it clear that ENI is still paying the debts of roughly the same amount.

IRI shipping, shipbuilding, machine tools and auto manufactural Liquichimica and, more recently,

> At EFIM, the smallest of the three state holding companies, the talia, which had profits of 12 billion the 1982 deficit) largely because of huge losses of about 400 billion lire.
>
> But the picture was not entirely at MCS Alluminum and 206 billion

Agusta Helicopters is in trouble.
If the state's traditional direct of Iree-market principles.

Under the presidency of the current IRI director, Romano Prodi, balance sheets, other government who took over 18 months ago, for attempts at giving assistance to the first time in 40 years no new troubled Italian companies have debt to the presidence of the current and the companies have the companies for the current and the current an

by Breda Aviofer (aviation), whose

vaging loss-producing firms like uled to be revamped — are GEPI, a Motta-Ale-magna (coffee bars and special holding company set up in pastries) and is also preparing to 1971 to rescue, through temporary sell several nonstrategic companies management, ailing manufacturing back to the private sector. firms so that their employees would At ENI, instead, despite a new not be out of work, and the 1979 akeover in the chemical sector, Prodi Law, which since taking efoverall losses declined slightly in fect has arranged bank assistance 1983 to 1.36 trillion lire leading the for about 251 troubled industrial

The improvement at ENI reflects institute, with other government

volved have remained unprofitable, and losses at the end of 1983 were running at more than 1.5 trillion

Critics say the system, as it has operated thus far, has suffered from an absence of strict time lim- time limits for the period of governits for restructuring plans as well as ment shareholding. REL, which bear tendency for GEPI to operate gan operating on February 1, is to more as an employment agency than an instrument for industrial reconversion. A reform project sponsored by the current minister of industry, Renato Altissimo, would seek to streamline the agency, among other things by limiting its competence to small and medium-sized companies in the less-developed Italian south believed to be suffering from temporary problems. Firms in sectors recognized to be in a state of crisis would not be eligible for GEPI assistance. Nevertheless, GEPI remains a permanent fixture in the industrial con-

losses of companies involved in sponsored recovery programs as an indication that the law is not functhat some of these companies were encouraging the absorption of bank funds that could be employed law will now be revised to apply only to companies showing promise of recovery from temporary financial or market problems. And, in the future, the eligibility of large try but due to paper-work delays, companies of "significant public distribution of funds had not yet interest" will be made on the basis started. of sales volumes and not on indebt-

Despite the problems of the past, however, the interventionist men-tality shows little sign of subsiding. cated, of which 95.4 percent had

vate ownership, many of the companies in which it has become intively, in Italy's troubled electronics and sugar beet industries.

The two new agencies represent attempts to streamline state intervention by concentrating on a par-ticular sector and establishing fixed gan operating on February 1, is to invest 360 billion lire in companies producing color television sets and other electronic components, while RIBS, still to receive final approval, will have an endowment of 240 billion lire for an initial two-year period

In addition, there is also a further complex of special industrial assistance laws on the books. These include:

• Law 902 (1976), which as of trillion lire in direct investment to small and medium-sized mining stellation, with the Italian cabinet and manufacturing firms in central

this week authorizing 240 billion and northern Italy.

lire in operating funds for 1984.

Critics of the Prodi Law, also industrial restructuring and reconknown as Law 95, point to the version fund of 7.945 trillion lire. However, because authority for the disbursement of funds was received from the EC only at the end of tioning efficiently. They also felt 1983, so far only 88 billion lire have been distributed.

• Law 46 (1982) set up a special rotating fund for technological inmore productively elsewhere. The novation in the electronics, auto-law will now be revised to apply mobile, refined chemicals, steel and aeronautical sectors. As of January 1984, 459 applications had been received by the Ministry of Indus-

• Law 183 (1976) provides incentives for development of the Italian south under which a total of Last year, the government came up been distributed by Nov. 30, 1983.



Carlo Ciampi, president of the Bank of Italy.

Debt Level Plateau

(Continued From Previous Page)

year and they forecast export-led growth will produce a 2-percent

expansion in the economy.

So long as growth in domestic demand lags behind rising incomes, they said, they are confident that there will be no repetition of the disastrous overheating that occurred in 1980-81. The Bank of Italy seeks some comfort in the fact that some of its main trading partners, such as France, have similar debt problems while others, such as Spain, are believed to be even worse off.

Meanwhile, the Bank of Italy has carefully avoided bunching loan repayments by adopting an effective quencing system for state borrowers, who take the lion's share of Euromarket borrowing. The bank estimates that annual loan repayments will average between \$4.5 billion and \$5.5 billion between 1984 and 1988.

Major borrowers are also being encouraged to borrow in currencies other than the dollar to bein spread the exchange risk, although progress in this direction appears to have been slow.

Last year 66 percent of all loans by Italian borrrowers were in dollars, compared with 70 percent in 1982. Deutsche-mark loans were

unchanged at 10 percent, while borrowings in European Currency Units (ECUs) rose to 3 percent from 1 percent of the total. With such a high proportion of borrowings in dollars, the Bank of

Italy continues to watch U.S. interest-rate trends with some anxiety although significant falls are ruled out in the run-up to the American presidential election. "Each 1-percent fall in U.S. interest rates would save us \$400

million in interest payments annually," a government economist said.

Credit Competition Heating Up for Foreign Banking Firms

advertising in the press, something But once they are in Italy the for-they would not have considered eigners are subject to much the banks say that it is getting harder to that they even have some signifimake the sort of profits required by cant advantages the head office.

By Mary Venturini been rather more open-minded than that of other major Common credit institutions in Italy, as far as crean Community liberalized regearnings are concerned, is showing poean Community liberalized reg-the first signs of being tougher than ulations for member state banks in it was in the boom years at the end the 1970s. Some foreign credit inof the 1970s. As one Italian banker stitutions maintain that the central foreign banks are active. pointed out, foreign banks are now bank's surveillance is very strict. necessary a couple of years ago. same controls as their domestic Even managers of some foreign counterparts. Italian bankers say

Almost all the major internation-The most obvious explanation al banks have a base in Italy, for the change is that competition whether an office, subsidiary or a sister more intense. A decade ago is lar more intense is lar more intense. A decade ago is lar more intense is lar more intense. there were about 10 foreign banks branches is led by 11 Americat.

a rew years ago. Secondly, the Italian situation itself; the interbank banks followed by its French banks, followed by six French,

been rather more open-minded can probably be attributed to the than that of other major Common size and location of its parent, the Trade Development Holding of Luxembourg, and to the fact that it is a considerable buyer of Italian bonds. This is a sector where few

Two other factors explain the

change in climate for foreign banks in Italy. First, the international banking crisis in general, which has meant that the world's major banks, especially those with outstanding loans in countries throughout Central and South

result, foreign banks are realizing into retail banking gradually, and ing up their average size is coming that they cannot rely on wholesale some of them are doing so with an down. And at Barclays in Rome the operations alone for their money.

sold its banking activities three anese bank Castellini, before gain-years ago to San Paolo di Brescia, a ing complete control eight years years ago to San Paolo di Brescia, a ing complete control eight years privately owned bank in northern later in 1980. Now it has a branch in Rome, one in Bologna and is its six branches had as much to do hoping to obtain permission to with an overall company policy to upgrade its travel and tourist inter- other British Bank, National Westests as with the difficulties and costs of retail banking in Italy. Initially, most foreign banks

were only too delighted not to deal with the expense and the complica-tions of retail banking. Qualified managers are difficult to find and they ask high salaries. The invest-

Italian partner. Barclays, the Brit-So far only one foreign bank has ish bank, first bought a major share left Italy. The American Express in an old and well-established Milopen one in the Veneto region. Anminster, has a minor shareholding with Credito Italiano in a Milanbased bank, Creditwest,

There are other signs of growing

manager said that many of his clients are now middle-sized Italian companies with foreign trade to Barclays has also been setting

the pace in the parabanking sector with leasing, factoring and con-sumer-credit companies. The other major foreign bank in this field is mestic banks and finance companies is fierce. Barclays has now gone into partnership in leasing There are other signs of growing and factoring with the Banco di interest in the retail field. Britain's Napoli and several other Italian Standard Chartered has added a credit institutions. This gives the branch in Padua to its one in Mi- British bank access both to funds with 14 branches in Italy, compared with more than 30 banks with 50 branches today. On the Italian side there were about five domestic banks, with 24 branches overseas 10 years ago; today there are 11, with more than 60 branches. The policy of the Bank of Italy toward big international banks wanting to enter the country has and the standard part of the big arrivals.

The policy of the Bank of Italy toward big international banks wanting to enter the country has and the standard part of the big six. French, three British, two German, two Belhave been most active and which they have been most active and which they have been itargely responsible for developing, is no longer what it used to be. At one time the high margins and the scarcity of other margins and the scarcity of other oversate 11, with more than 60 branches.

The policy of the Bank of Italy toward big international banks wanting to enter the country has a source of funds. Now margins are down and competition is up. As a lan. Citibank has opened a branch in the necessary technology is in Florence after long experience in the south — a difficult area for foreigners since they have been most active and which they have been most active and which they have been it argely responsible for developing, is no longer what it used to be. At one time the high margins and the scarcity of other developing, is no longer what it used to be. At one time the high margins and the scarcity of other developing is no longer what it used to be. At one time the high margins and the scarcity of other developing is no longer what it used to be. At one time the high margins and the scarcity of other developing is no longer what it in the necessary technology is in Florence after long experience in the south — a difficult area for foreigness. The investment of the sak high salari

16 Leading Banks Are Preparing a National Credit Card

Banca Nazionale del Lavoro It is expected to have an initial (BNL), a payments expert, who has capital of 10 billion lire, been involved in the plan since the The company, which like the first studies were made in early card itself still remains nameless, on travel can now be paid by credit

di Napoli, Banco di Roma, Banco Credito Italiano's Eurocard.

ROME — Convinced that time gna, Banca Popolare di Novara and is on the side of modernization and the Casse di Risparmio of Roma, progress, a consortium of 16 top Italian banks is busy putting the Frovincie Lombarde are working project for the establishment of a national Italian bank credit card. And to demonstrate the establishment, probably by national Italian bank credit card. This is definitely the right more will eventually be opened to the entire Italian banking association, which in the country in the country there are other light to spend with france's Carte ment." Said Mario Castelli of the entire Italian banking association, which in the countries of the system of payments predom-intents. He products a construction of transful to the cast payment of transful to the country there are other light to spend with france's Carte which the Italian banking association, which in the countries. He products actions in Italy were paid for by the fact that Italian bankers are the figure of the establishment of the country that in the country, there are other light to spend with france's Carte which the Italian bank are the fact of the entire Italian banks are the project devention.

The fact is that Italian bankers the project devention of the cast of the cast of the project devention of the cast of the project of the cast of the project devention of the cast of the project devention of the cast of the project ment," said Mario Castelli of the entire Italian banking system.

1982. will be facilitated in the early stages
These days representatives of by its absorption of the 350,000
BNL Banca Commerciale Italiana, tardholders of Banca Commer-Banca Popolare di Milano, Banco ciale's Conto d'Identità card and

lire a year on travel without any that more than 50 percent of Italian accounting to the government and households still do not have check-80 percent of the total they spend ing accounts.

With Italian cardholders nummillion, the use of credit cards is

new currency regulations that have recently gone into effect. Italian in the country, there are other figures like cash payments for 39 perbe able to spend up to five million lire a year on travel without any accounting to the government and households still do not have check-

ing accounts.
However, market studies as well as other new developments in banking methods have convinced bering no more than 1.7 million out top Italian bankers that a takeoff is of a total in Europe of about 26 just around the corner.

"It's an inveversible historical di Santo Spirito, Banco di Sicilia. International cooperation agreecredito Italiano, Monte dei Paschi ments have already been reached
di Siena, Istituto Bancario San with MasterCard and Access, while
Paolo di Torino, Banco di Sarde contacts with Visa International—
of West Germany, where the Euro1985, within three years Italy will

Despite the resistance to non-

cash payments demonstrated by Italians in the past, bankers appear convinced that Italy may now profit from the super-technological electronic advantage that its late start in the sector has provided that was begun a year ago is enjoying an unexpected success, with others mistakes," said one banker.

1,400 automatic teller machines

"There's a vast potential here," said a spokesman for ABI, the Ital-

compared with France's Carte Bleue —as providing a much-needed impetus to a generally improved relationship between Italian banks and their often frustrated clients.

"We are in the midst of a silent revolution," said Amerigo Gori of ABI. Indeed, the highly advanced Bancomat cash-dispenser system now in place in 300 Italian banks.

-SARI GILBERT

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Stock Markets Waiting for Gradual Return of Confidence by the Small Investors

gradual invigoration Since the country's last major bull market collapsed in mid-1981, Italy's 10 stock exchanges, dominated by the Milan Bourse, have languished. Held back by thin trading and a lack of private investor interest following the 1981 crash, the market suffered a second major blow with the collapse of Banco Ambrosiano in 1982. It has not

recovered its vitality since. Consequently, most brokers and analysis contend that until the market deepens and the small saver regains confidence, hopes for a thriving stock market are prema-

attract a larger chunk of Italians' savings away from high-yielding government Treasury bills and

Italian companies, both state and private, appear to have redis-covered the market. Disillusioned by high interest rates and a lack of state funding, they are turning to the market for financing. The state holding companies Istituto per La Ricostruzione Industriale (IRI) and Ente Nazionale Idrocarburi (ENI) have both announced that they will seek market listings for some operating units.

Despite this gloom, the prospect cent of its Saipem oil industry serings for several more of its operat-

IRI companies, such as the state-owned airline Alitalia, already en-

joy market listings.

A third state holding company,
Ente Partecipazioni e Finanziamento Industria Manifatturiera
(EFIM), has also suggested that it will seek to attract private capital. Italy's private sector is also eyeing the market as a source of lunds. Banca Nazionale dell'Agricoltura, the country's largest private-sector bank, and Danieli & C. a closely held builder of steel mini-mills, are planning share offerings. The giant ome operating units. chemicals group Montedison is. ENI will offer the market 20 per-

slowly, however. Despite repeated

nudges by the Bank of Italy and videspread public discussion, Italy's nascent merchant-banking industry has yet to try its wings. New issues continue to be underwritten through the cumbersome state banking system, and by a few private concerns with investment banking interests. Chief among these is Euromobiliare, whose managing director, Guido Vitale, said recently that he expects equity capital will play an increasing role in financing Italian industry, much of which is heavily indebted and state-

or family-owned. A new class of institutional mar-

Special to the IHT

ROME — After years of battering and indifference, Italy's equities market is looking forward to a
gradual invigoration.

Since the country's last major

of several major new-share issues,
cone the several major new-share issues,
cone that around mid-year, while ing companies. It listed its Selm
that it will partiallast will par Some were expected to be opera-tional by the beginning of this year. So far, none is, although several banks and institutions have announced that they will launch such

Market-watchers say they have been delayed by lengthy approval procedures set out by Italy's stock exchange regulatory commit Commissione Nazionale per le Società e la Borsa (CONSOB), the Bank of Italy, and the Treasury.

"I suppose we'll have to wait until November now," for the funds to begin operating, said a senior official in the securities department at a major Italian bank. Long-established Luxembourgbased funds, such as Banco di Roma's Rominvest, and Istituto Mobiliare Italiano's Fonditalia and Interfund, continue to be the only

such players on the market. When they begin operating, the new funds are expected to add depth, professionalism, and trading activity to the market, which is corrently dominated by a handful of major banks and insurance concerns. Analysts say they should remain cantious about investing di-

regularly injected into the market e funds will find little to do. Italy's stock markets are thinly traded The Milan Bourse, which accounts for more than 90 percent of all official transactions, lists only 139 companies, daily trading volume averaged 30.3 million shares in the first quarter this year. The mar-ket's capitalization at the end of

1983 was 34.7 trillion lire (\$20.9 Some analysts contend that many fund managers will ignore the equities market and place their liquidity in government paper.
They note that yields on state secunities, which went positive in 1981,
remain high. Average dividend returns on shares are far outpaced by
12-month Treasury bills yielding
15.7 percent, and seven-year credit certificates yielding 17.25 percent.

est in the equities market. Analysts say that, with the govtion in such high-yielding paper ev-ery month to fund its huge budget deficit, it is not any wonder that the

of the small investors' lack of inter-

market remains sluggish.
As new issues trickle onto the market, CONSOB is slowly asserting itself. CONSOB was estab- They include the automaker Fiat,

ings into risk capital. In part, this is

centives (stock earnings are taxed

while the interest on Treasury

reluctance by the proprietors of Italy's many family-owned enterprises to accept the loss of control

that a listing on the exchange might

Financial authorities have long

recognized the utility for the Italian

capital market of a revitalized stock

banks as a way "to foster the en-

Internazionale, a subsidiary of the

state-owned medium-term credit

institute or Istituto Mobiliare Ita-

liano, explained that a major pur-

involve.

mission. But it was neglected and became activist only under the chairmanship of Guido Rossi, who resigned in 1982, after the Banco Ambrosiano's collapse. His successor, Vincenzo Milazzo, left last year, and the agency is now led by the former state-sector banker Franco Piga. A parliamentary investigation into CONSOB's scope and effectiveness is under way.

But CONSOB is stirring. Early this year, it took steps to control trading as a sharp but short-lived January rise in stock prices threatened to get out of hand, and it is backing attempts to restructure and improve the market. Many an-alysts say CONSOB's powers are insufficient and its procedures slow. But agency officials counter that the commission is understaffed and lacks the necessary in-The differential accounts for much frastructure. It only recently opened a full-scale office in Milan,

Italy's financial capital.
One major project under CONemment offering the equivalent of SOB's intelage is the creation of a the Milan Bourse's total capitalizanational securities market. Currently, separate prices for each listed share are set on each of Italy's stock exchanges. But last December CONSOB authorized the setting of a single price on several exchanges for 10 major issues.

rectly in equities. But many feel lished in 1974 and modeled on the Montedison and the state-conthat unless new and valid issues are U.S. Securities and Exchange Coming company STET on five exchanges: Rome, Trieste, Genou, Florence and Naples. Stock-exchange officials say their eventual sim is to create a national, continuous auction market to replace the

current fragmented call markets.

But a lack of advanced, real-time communications, and the exclusion of the Milan Bourse from the current group of exchanges setting unified prices stand in the way. Market-watchers say they expect a national securities market to evolve

only slowly. Meanwhile, Italy's equity market continues to be plagued with historical problems; its small size, lack of players, and a reputation for being a dea of insider trading. Many analysts say they think the Milan Bourse will rise out of its current doldrums over the next few months, if Italy's economic recovery continues and if the government finally manages to implement its policy to reduce the budget deficit and bring wage increases and interest rates down in line with in-

But others contend that, no matter how favorable the external envievolve gradually and tentatively



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A 3d Year of Decline In Fixed Investments, **But Upturn Expected**

ROME — Although economists functioned properly as an instru-nere describe the outlook for 1984 ment for the transformation of savas one of "cautious optimism." final data for 1983 show that last because of ignorance and suspicion year Italian fixed domestic invest- by potential savers, not to mention ments declined for the third year in a row, indicating that the international recession and a scarcity of risk capital had combined to make bonds are not). In part, it reflects things difficult for some Italian businessmen.

At the same time, analysts said, substantial vitality of much of private industry. In fact, after a tendency toward disinvestment a series of favorable conditions now appear to have stimulated renewed interest in Italy by foreign investors.

market, and last year the governor of the Bank of Italy, Carlo Ciampi, urged the formation of merchant appear to have stimulated renewed

These days officials at the Bank of Italy are busy putting the final largement and strengthening of touches to the governor's annual medium-sized companies and gradreport, which is to be released on May 31.

meanum-sized companies and gradually lead to the listing of their stock on the stock on the

Last month, however, the Italian

It is in this light that one should see the recent establishment in Budget issued a joint, three-volume Rome of two new financial institureport on the economy, according tions. Officials at Italfinanziaria percent in GNP was accompanied by a real decline of 5.3 percent in fixed domestic investments, which in value reached 96.268 trillion lire. In 1982, with the end of a threeyear investment boom that began in 1979, investments had dropped

The study showed that of all branches of the economy, the worst hit was the industrial sector, where 22.976 trillion lire of investments in 1983 represented a decline, in real terms of 12.4 percent. The greatest damage - negative 19.5 percent - showed up in investments in machines and equipment, indicating that investments, when made, were not going toward new plant and productive installations.

According to Antonio Martelli, head of the research department at Confindustria, the Italian manufacturers' association, the contraction of investments reflects the international recession of the last few years, which, because of declining demand, has left Italian industry operating at only 70 percent of ca-pacity, a cyclical decline following the 1979-1981 investment boom. Moreover, he said, there has been a general change, with the economy shifting away from basic industries like steel, chemical fibers, shipbuilding and fine chemicals to newer industries like electronics biotechnology and robotics.

But if unencouraging market ects in at least the first part of 1983 limited investments, Italian businessmen were also negatively affected by a restricted capital market that has left many firms under

There are several reasons for the capital shortage that causes many Italian businesses difficulty in financing operations. Principal need to finance a massive public-sector deficit that this year is ex-pected to surpass 96 trillion life.

Although the ratio of savings by Italian families is one of the highest in the West, 24 percent, the bulk of this potential investment reservoir has been drained away from private industry by the government, which at the end of 1983 had issued Treasury bonds and bills amounting to close to 500 trillion lire.

This means that when unable to finance themselves out of profits businesses must turn to Italy's banks for operating capital, an unappealing prospect since the Bank of Italy's tight money policy, de-signed to bring down inflation, has caused interest rates to soar. At present, the Italian prime rate is 17.5 percent and most companies seeking loans find themselves forced to pay between 20 and 25 percent in interest.

A third reason can be found in the atrophicd nature of the Italian stock exchange, which with only about 150 shares quoted, has never

Inflation Remains Target

March decline, but Italy has a high propensity to import and the March decline, but Italy has a high propensity to import and the current account is not expected to improve much this year compared with the last. Against this background, the prospects on the microeconomic level for personal income and profits look better than for the economy as a whole because of the highly dynamic private sector.

Italy is a richer country than it often appears to be, and, coupled with Italians' above-average propensity to save, this helps explain why Italian banks rank among the most profitable in Europe.

Family incomes, for example, rose an average of 17.6 million lire in 1982, compared with 13.8 million in 1981. Only about 55 percent of family income came from work as a resular employee. Of the rest.

family income came from work as a regular employee. Of the rest, about 17.9 percent came from second jobs and "black" work in a submerged economy, 14.9 percent from transfers and 12 percent from

If the recovery symptoms continue, Italian banks will come under increasing pressure to reduce interest rates. Last week, two major Italian banks, Credito Italiano, and Banca Commerciale Italiana, reduced their prime rates from 17.5 to 17 percent, and others were expected to follow. But it was not immediately clear what impact these moves will have, and some financial sources described the changes as "largely symbolic."

In December, the government took a step making it possible for rates to come down, announcing that it was lifting individual credit restrictions on banks as from Jan. 2. But the central bank said that it would also seek to place a global limit of 12.5 percent on domestic credit growth in 1984. If the government limits lending opportunities with stringent credit controls, the banks feel justified in seeking a return where they can, and corporate borrowers find they need to pay anything from 20 to 25 percent for money.

The accord on Banco Ambrosiano creditors' claims, to be signed on May 25 in Geneva, is another healthy sign for Italian bankers.

manufacturing and financial com-panies with an eye toward guiding them to stock-exchange quotation.

Present investments, now at 170 billion lire, consists of holdings in 15 firms, including 20-percent Originally set up in 1968 as an investment fund management firm, the company was reorganized in pose of the company is to pick up later raised to 170 billion. At the temporary (three to five years) and end of June 1983, investments

Finfer Finanziaria (Tuscan tiles and ceramics) and Inglen (interna-tional glass engineering) of Florlater raised to 170 billion. At the ence and a 10-percent share in Fincoma, a Fiat subsidiary in Turin stood at close to 140 billion live and specializing in industrial robotics. --- SARI GILBERT

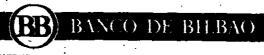


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BANKING GROUF

Nuovo Ambrosiano Earns Reputation for Innovation

By Larry Gurwin

bestors

ROME - On Friday, Aug. 6, 1.382, Italian Treasury Minister eniamino Andreatta signed a dee putting Banco Ambrosiano so liquidation. It was the culminion of what one news agency led the most spectacular finanal collapse in the country's post-"ar history.

Not only was Ambrosiano the interpiece of I aly's largest private inking group, but its collapse had ten preceded by the mysterious tath in London of its chairman, berto Calvi. Other elements in e affair were Mr. Cabri's links ith the secret P2 Masonic Lodge ad with the Vatican's own bank ne Istituto per le Opere di Relione (IOR).

Although the liquidation decree sirked the legal "death" of Banco mbrosiano, branches, employees, 'rd customers remained, and these ere immediately absorbed by a sw bank, Nuovo Banco Ambroano. The new institution's share upital of 600 billion lire was subnibed by seven Italian banks, and opened for business on the Monby following the liquidation of the odsisordam "bk

(Nuovo Banco Ambrosiano took ver the domestic business of the d bank, but not its foreign subsidries, which had defaulted on more an \$1 billion in debt.)

It would be hard to imagine a ank starting life in less ausoicious reumstances. One of the many cious problems facing the chairan, Giovanni Bazoli, and the genal manager, Pier Domenico vallo, was a sharp erosion in cus-

tomers' confidence. For months shareholders and creditors of the preceding the liquidation, Ambro-siano had been suffering from a small investors had held shares in massive run on deposits. When the the old bank and several of them new bank opened, customers' de-retained lawyers to seek restituposits were just 1.8 trillion lire - tions from its successor. Creditors about half of what they had once of Mr. Calvi's foreign subsidiaries

The run on deposits created another problem: overstaffing. Although the new bank's balance sheet was much smaller than its predecessor's, there were the same agreements with labor unions barred management from cutting the staff through forced layoffs.

Another drain on profitability was the high volume of nonper-forming assets. The shareholders of Nuovo Ambrosiano had paid 350 billion lire for the old bank's good will in recognition of the fact that it controlled several attractive units through its La Centrale holding company. These included two northern Italian banks - Credito Varesino and Banca Cattolica del Veneto -- and Toro Insurance Company, (Banca Cattolica recently disclosed 221.8 billion lire of possible bad debts, amounting to 91 percent of its capital of 243

The profits of these units, however, were more than canceled out by the losses of another subsidiary, the Rizzoli Publishing Co. Thus, La Centrale is paying no dividends, and the 350 billion goodwill pay-ment is, for the time being at least, a nonperforming asset. No other bank in Italy has such a burden on it," Mr. Gallo said.

Finally, Nuovo Ambrosiano been to reduce the staff to fewer faced lawsuits from disgruntled than 3,900. In addition, about 300

began serving writs in early 1983, seeking upward of \$500 million.

One of the first priorities of Nuovo Ambrosiano's management was restoring customers' confidence in order to reverse the outnumber of employees -4,250. Yet, flow of deposits. "We had to recover our image," Mr. Gallo said, "so. we have invested a lot in advertising." Full-page newspaper ads appeared in the antumn of 1982, stressing the solidity of the new institution. "A bank made by banks" was one slogan. More recently, the bank has run glossy television commercials. Mr. Gallo estimated that about 2 billion lire have

been spent so far on advertising.

More substantively, Nuovo Am-

brosiano's branch managers of-

fered above-market interest rates to

depositors - generally a percent-

age point above what they could get at competing institutions. These steps began to take effect within a few months, and, by March 1983, customers' deposits had reached 2.735 trillion lire. At the end of last year, the figure was

The bank said that it is now paying the same interest rates as its competitors. The overstaffing problem has been dealt with through early retirement plans and generous severance pay to younger workers. The combined effect has

employees have been placed in newly opened branches. (The old practice was to hire new staff when-

There has also been good news on the litigation front, Mr. Gallo said. Shareholders of the old bank are being given warrants that will entitle them to purchase shares in the new bank at the same price paid

pating in the plan, and, Mr. Gallo said, all the legal actions have been withdrawn. Creditors of the old Ambrosiano are expected to withdraw their lawsuits as part of a settlement, which is to be signed in

The problems of La Centrale still group of investors led by Gianni

own special reasons for wanting to

resolve the affair: until it did, the

Italian government would proba-

bly be unwilling to sign a revised

concordat, the agreement regulat-ing relations between Italy and the

On Feb. 14 of this year, the Ital-

ian treasury minister, Giovanni

Goria, told the Senate that "it is

reasonable to expect a quick solu-

better than before

In Nuovo Ambrosiano's first op-

One indication that Italy's finan-

Agnelli of the Fiat auto company. Early this month, an agreement was reached to sell Credito Varesino to Banca Popolare di Bergamo. "Rizzoli still has problems," Mr. Gallo said, "but it is doing

erating period - the 11 months ending June 30, 1983 - a loss of 24.9 billion lire was reported. For the year ending June 30, 1984, management expects to break even, Mr. Gallo said. "Naturally, we still have problems," Mr. Bazoli said, "but the trend is decisively posi-

cial community is impressed by Nuovo Ambrosiano's management came in a survey conducted by II Mondo, the leading business weekly. When readers were asked early this year to choose the country's "most innovative" bankers, Mr. Bazoli ranked in the third place out of the 20 bankers on the ballot.

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and consultant with the Banca Nazionale del Lavoro in SARI GILBERT is a Rome-based journalist who government.

Mr. Ghidini and his committee covers Southern Europe. She contributes frequently to The Washington Post and The Boston Globe.

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United Press International MARY VENTURINI is a Rome-based economic journalist and a lecturer in social science at the Gregorian University in Rome.

The Nuovo Banco Ambrosiano building in Rome.

ever new branches were opened.)

by the founding shareholders. The warrants can be exercised in May Investors with lawsuits against the bank were barred from partici-

Geneva on May 25. remain, but the group is quickly being restructured. In March of last year. Toro Insurance was sold to a

> financial contribution." Three days had been reached. The next day, a revised concordat was initialed by Prime Minister Bettino Craxi and the Vatican secretary of state, Car-

dinal Agostino Casaroli

Bank Commissions a Source Of Customer Dissatisfaction

in recent years.

trash can in disgust.

Rome can take 30 to 45 minutes.

Frustrated customers can some-

Bankers' cautious attitudes to

practices common in other coun-

department of a big Rome bank

The banks made much of their

decision in December to open at

last for an hour in the afternoon. In

the past they were only open from 8:30 A.M. to 1 P.M. This was with-

out doubt one of the most positive

moves taken by the banks in years.

Checks can be cashed in five

trepreneurs," said Carlo Clericetti, a journalist who writes about banking for Il Messaggero, Rome's larg-

est daily. "Above all there is a lack of clarity in the relation between banks and their clients over the various charges that are imposed." Mr. Clericetti said.

Tension between the banks and their customers came out in the open earlier this year when the Comitato Difesa Consumatori, a leading consumer protection group, delivered a formal petition to the public prosecutor's office in Milan asking investigators to look into the commissions that banks charge customers on the purchase of Treasurv bonds and on transfer of money between accounts in separate banks.

Gustavo Ghidini, the secretary of the consumer group, said bank officials were very concerned about the protests. "They have accepted our position that the commissions are too high and have proposed a flat-rate commission of 5,000 lire for each purchase of Treasury bonds," Mr. Ghidini said after the Italian Bankers' Association met to

discuss the matter last month.

Mr. Ghidini hailed the proposal as a "first victory" for consumers. Press reports were more cautious, however, suggesting that it may be some time before the widely varying commission rates charged by different banks on the purchase of government bonds become uni-

are little protected in a "jungle" of varying commissions. Treasury Minister Giovanni Goria has expressed concern because the bonds are a major source of income for Prime Minister Bettino Crazi's

tion" of the dispute, adding that are adamant that the banks will IOR seemed prepared to make "a also have to review the practice whereby clients receive no interest later, liquidators of Ambrosiano for at least two working days after announced that a draft agreement depositing a check from another bank in their accounts. The delay used to be justified by

the time it takes to clear the check. But with modern technology. checks issued in the same city can - LARRY GURWIN usually clear the same day or faster.

ROME - "The small savers are If the check is issued by a bank in minutes in the afternoon because not at all satisfied, nor are the en- another city it may be as much as many customers are taking an af-15 days before the customer starts termoon nap or are still unaware of earning interest, under the present the new timetable. However, not all transactions feasible in the mom-"They are crazy," said Mr. Ghiing, such as arranging for payment of an electricity or telephone bill dini, a lecturer in commericial law. "Clients are treated like subjects." through a bank account, can be The image of the bankers them-

carried out in the afternoon. The pride and joy of the Italian selves as portrayed by the Italian media has often been unflattering system is its integrated nationwide network of cash dispensers. "It's a beautiful thing, we seem to be Visiting an Italian bank can be a harrowing experience because of ahead of every other country in the slow customer service. Cashing a world," Mr. Clericetti of Il Messag-

check in one of the big banks in gero said. The banks set up the Bancomat cash dispenser network in early times be seen hurling abuse at 1982 and about 1,000 automated clerks or tossing checks into the teller machines (ATMs) are expectteller machines (ATMs) are expected to be in place by the end of this year. Bancomat is the first unified network among Italy's 1,085 differ-

tries sometimes seem incredibly ent banking institutions. outdated. A banker in the foreign The savings banks paved the way for the change by developing Italy's spent several minutes trying to disfirst ATM network - known then suade a client from making a standas Carismat, after the Casse di Riing order with which to pay his sparmio, savings banks — in 1981. rent, on the ground that it would still be valid if he forgot to revoke it when he moved out of his appart-Later, the Bank of Italy gave tacit approval to the notion of Ban-

comat but pioneers of the new system had to overcome the opposition of some major banks that were against providing small Casse di Risparmio with a national network. Despite this breakthrough,

banking services of many kinds lag behind those of Northern Europe. - JOHN PHILLIPS

Accord Is Reached on Ambrosiano Creditors' Claims

ROME - Creditors of Banco inbrosiano's foreign subsidiaries, ho have been waiting nearly two ears for their loans to be repaid, te expected to be compensated

According to reports from come, a settlement is to be formalsigned in Geneva on May 25. inder the terms of the agreement, te 120 foreign creditor banks will xeive \$406 million, or 68 percent f the claims of \$600 million. The atican bank, the Istituto per le pere di Religione (IOR), will reortedly pay \$244 million toward

The agreement was also expected provide about \$100 million for ilian creditors of Ambrosiano, utting the total settlement at more ran \$500 million, according to alian banking officials.

Banco ambrosiano failed in 1982 the result of a plan carried out by s late chairman, Roberto Calvi, In ie 1970s, Mr. Calvi established a ompanies purchased Banco inbmbrosiano shares with money.

of the bank. The subsidiaries raised the funds mainly from international banks in the Euromarket. Eventually, the dummy companies' debts totalled about \$1.3 billion.

In 1981, Mr. Calvi's subordinates asked him for assurances that the offshore companies could repay the loans. To allay these concerns, Mr. Calvi obtained "letters of pa-tronage" from Archbishop Paul Marcinkus, head of IOR. The letters implied that IOR was the owner of the ghost companies and responsible for their debts.

When Mr. Calvi disappeared from Italy in June 1982, Ambrosiano officials asked IOR to repay the offshore companies' debts. The Varican bank refused and, on June 177 the Bank of Italy was called in to take control of Ambrosismo. The following morning, Mr. Calvi's corpse was found hanging under a bridge in London. (It has still not been determined whether it was

murder or smaide.) stwork of dummy companies in . Italian authorities decided to ich offshore financial centers as honor all debts and deposits of the

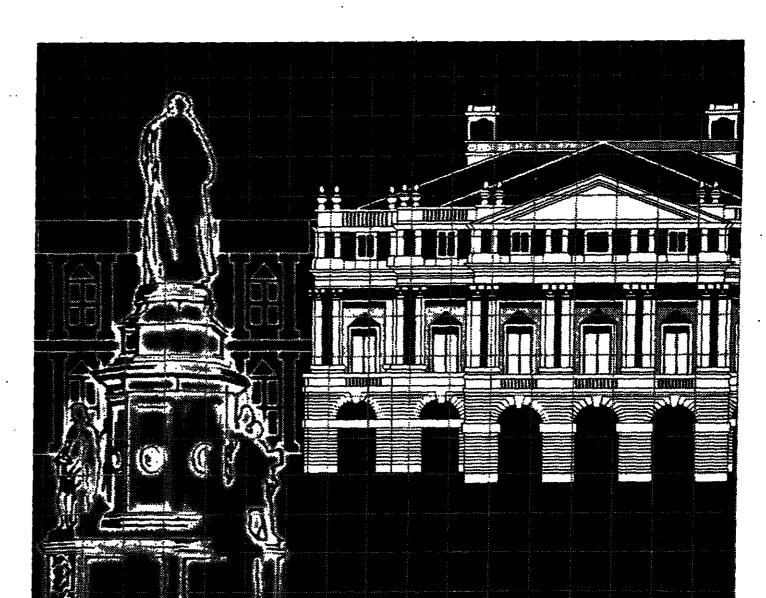
that sent shock waves through the Euromarket, since banks had until then been regarded as prime risks.

Although Italy refused to take responsibility for Ambrosiano's foreign units, officials did put pressure on the Vatican to repay the dummy companies' debts. The Varican refused, saying it had nothing to do with the compan In November 1982, however, a

Vatican-appointed panel issued a report acknowledging that IOR had been the legal owner of 12 of the ghost companies, although the panel argued that IOR was still not responsible for the companies A six-man joint commission was appointed on Dec. 24, 1982, with

these members each contributed by the Vancan and by the Italian government. The job of the panel was to clarify the relationship between IOR and Ambrosiano and thus nave the wave for a settlement of

While the Italy-Vatican commis sion went about its work, creditor tlement, making it known that they were prepared to take IOR to cour if necessary. The Vatican had its



Milan adds another dimension to Arab Banking Corporation.

Arab Banking Corporation (ABC) is now offering a complete range of international banking services through its recently established branch in Milan as a complement to its offices in major international financial centres.

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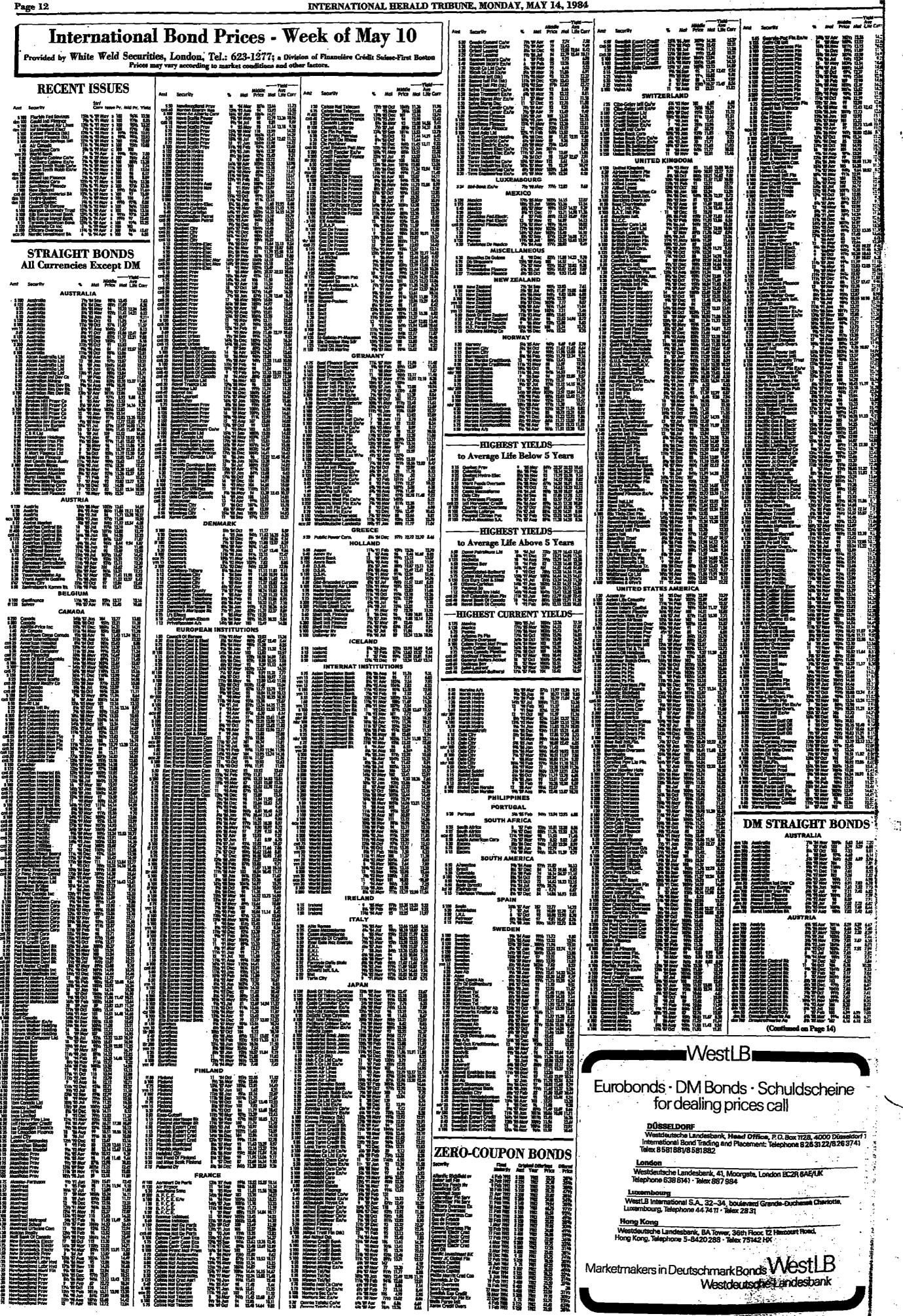
with international as well as Middle Eastern expertise, ABC is well placed to provide assistance to Italian companies and to businessmen with interests in Italy by developing business opportunities and by providing financial packages designed to meet specific customer requirements.

Founded in 1980, ABC has maintained a steady pace of growth through commitment to diversification of its product lines and to the establishment of a permanent presence in the key financial markets of the world. Supported by an equity of approximately US\$ I billion and by total assets on 30 June 1983 of slightly over USS 8 billion, ABC has a solid base for continued growth and expansion.

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EUROBONDS

Rise in U.S. Rates, Change In U.K. Rules Jolt Market

By CARL GEWIRTZ

ARIS - The Eurobond market was shaken last week as the entire range of U.S. interest rates moved sharply higher and investors headed for cover to wait until the dust had settled.

That wait is likely to be long. According to Henry Kanfman, chief economist at Salomon Brothers, the top of the increase which he sees carrying rates beyond the record highs set in 1981 -can be expected in early 1985.

Last week's upward joit in interest rates pushed overnight dollars up 5/16 percent and one-year funds rose 1% percent. That

alone would have been enough to undo the bond market. But in addition there were renewed fears about the impact that tising rates and a soaring dollar would have on the ability of

Eurobond Yields

For Week Ended May 9. U.S.S is term. int'l inst.

U.S.5 long term, Ind. ____ U.S.5 medium term. Ind. __

Cons medium form _____ French Fr. medium form Yen in term, intil Inst. ___

Market Turnover

Total Dollar En 7,598.5 6,068.3

12,904,6 11,781,3

12.79 % 12.94 % 13.47 % 13.09 % 7.52 % 11.05 %

developing countries to service their debt to commercial banks -- fears that were fueled by rumors, vehemently denied, about an impending collapse at Continental Illinois, the seventh-largest U.S. commercial bank.

On top of all this, the Bank of England chose last week to formally notify banks about its concern over the pyramiding of bank debt (in the form of subordinated floating-rate notes) within the banking system. The central bank has been studying the question since January and the drift of

its thinking was well known. Nevertheless, the timing apparently caught banks off guard because the publica-

tion of its guidelines sent the price of subordinated floating-rate notes of British and U.S. banks skidding.

Those prices would have dropped in any event just to bring them in line with the rise in interest rates. But the combination of sitters about banks and a feared widespread purge of FRN portfolios held by U.K.-based banks sent prices into a free fall. The fresh worry about banks last week was measurable. An indicator that many analysts look at is the spread in the futures market between Treasury bill and Eurodollar rates. The lower the spread, the higher the confidence in the banks.

If are last year, for example, that spread had narrowed to a low of 97 basis points (or just below one percentage point). That was down from the high of 325 basis points set in 1982, when the emergence of the Third World debt problems created fears of a

Last Thursday, the spread hit 195 basis points—up from 140 a week earlier—and by Friday, with worries about Continental Illinois abating, it had receded to 175.

Just how much this deterioration in confidence added to the weakening of bank FRNs cannot be measured. But the total effect of all the bad news last week was dramatic. The FRNs of British banks, for example, ended the week trading at 15 to 20 basis points over the London interbank offered rate, up from the previous range of 9 to 10 basis points above Libor. Depending on the maturity of these notes, the rise in yield meant prices had declined by as much as half a percentage point — a big move for a market that normally measures change at hundredths of a per-- The state of the

The major issuers of subordinated notes — the focus of the Bank of England's new guidelines — are banks in Britain, the United States and Canada.

The proceeds from the sale of subordinated debt are counted as capital by banks, and the capital base, the Bank of England is saying should be held outside the banking system. If not, there is added risk of contagion in the event that one issuing bank

collapses. nated FRNs issued by Barclays and Barclays buys \$100 million issued by Midland it would be unsound banking to consider that the capital base of the U.K. banking system has increased \$200

To avoid such double counting, the Bank of England says in-effect that if Midland holds such Barclays notes Midland must (Continued on Page 15, Col. 1)

THE CREAM OF THE CROP: HOW THEY RANKED

Best Overall
Bell Labs
Trammell Crow
Delta Air Linea
Goldman Sachs

**

Hallmark Cards Hewlett-Packard Pitney Bowes

erit Mutual Life Time Inc. Element for

And Runners-Up Advanced Micro Devices Merck J.P. Morgan Publix Super Markets

_For Pay Atlantic Richfield Leo Burnett Trammeil Crow Exoton Goldman Sacha Hewitt Associate Hewlett-Packard

Linator Plywood Merck Shell Oil ...For Advancement

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Apple Computer

Delta Air Lines

Doyle Dane Bernbach Hallmark Cards Hewlett-Packard Kollmorgen Los Angeles Dodgers Merie Norman Coametics Herman Miller

Odetice Physio-Control Pitney Bowes Publix Super Marketa

_For Benefits Apple Computer Atlantic Richfield

Bell Labs Trammell Crow Hewitt Associates I.B.M. Johnson Wax J.P. Morgan Procter & Gamble Time Inc

...For Job Security Advanced Micro Devices Delta Air Lines Digital Equipment

Exxon Hewlett-Packard I.B.M. Johnson Wax Linnton Plywood Procter & Gamble Worthington industries

People Come First in List of 100 Best U.S. Firms

By Thomas C. Hayes New York Times Service

LOS ANGELES - What we have in "The 100 Best Companies to Work for in America" - a fresh compendium of companies that, at the very least, do more than the usual amount of thinking about employees — is an effort to marry the "The Book of Lists" with "In search of Excellence: America's Best-Run

The authors, Robert Levering, Milton Moskowitz and Michael Katz, spent most of 1983 scouring the country, gathering tips wherever they could, from personnel directors, executive recruiters and secretaries, try-ing to come up with an arguably salable collection of America's "superlative employ-

They acknowledge that the result, brought out this month by Addison-Wesley Publishing, Reading, Massachusetts, is hardly scientific. It ignores, for example, all professional concerns, such as law, architectural and accounting firms, as well as universities, foundations and metropolitan newspapers, where the nature of the work, regardless of the benefits, presumably holds considerable ap-

Moreover, the financial data is sketchy consisting typically of a tough gauging of sales, annual rates of growth, and perhaps some figures on research spending and return

The authors make no apologies. The num bers, they say, are the grist of most business journals. What they are pursuing, instead, is "the human condition" inside business. "a company-by-company comparison" of work-

In fact, each of the 100 companies is ranked against the group overall, with a potential score ranging from one to five stars in each of five categories: pay, benefits, job

security, chance to move up and ambience They also list the number of employees and the main operation sites. California has the most, 36, followed by Texas, at 23, and New York State, at 21. The range in employees within the United States peaks with Interna-

(Continued on Page 17, Col. 5)

Bonus Issue Revives Car-Quota Fight

DETROIT - Recent criticism of the large bonuses being paid to U.S. auto company executives has refocused attention on the issue of voluntary restraints on Japanese

Wall Street securities analysis

said that lack of greater competi-

tion from Japan in both volume and pricing was a significant factor in the Big Three U.S. automakers

achieving a record \$6.1 billion in

The quotas, originally set to expire at the end of last March, were

later extended another year and are

now scheduled to continue until th

start of the second quarter of 1985.

and many members of Congress

have firmly supported the re-

straints, fearing that U.S. jobs could be lost if imports are allowed

to grow beyond their current figure

The United Auto Workers union

HOT SPRINGS, Virginia --Roger B. Smith, the chairman car exports to the United States. The limits on Japanese car exof General Motors Corp., said ports were negotiated soon after that the \$1.4 million he received the Reagan administration took of-fice in 1981. from the company last year seems like a lot of money until The aim was to buy time for the

profits in 1983.

you look at it.
Mr. Smith defended his 1983 major U.S. automakers, General Motors Corp., Ford Motor Co. and compensation when asked if the Chrysler Corp., to recover from the amount would cause problems industry recession that followed for GM in its coming talks with the United Auto Workers the oil price shock of 1979 and caused collective losses of more than \$4 billion in 1980.

If the \$1.4 million is adjusted to account for inflation, and compared with what his predecessors at GM have received, he ranks 33rd out of 40, he said. The total of bonuses paid to

GM Chairman

Says His Bonus

Isn't So Large

Washington Post Service

GM executives for 1983, allowing for inflation, makes last year the 26th lowest of the 30 years the bonuses have been paid, he said. He noted that GM had to

bounded from a record loss of \$763 million in the depths of the last recession to last year's record \$3.7-billion profit. "What would you pay for peo-ple who would do that?" he asked reporters.

of about 25 percent of the U.S. gan's views and that no decision market.

representative, created the contro-year versy May 1 when, citing the bonuses, he called for an end to the The trade representative said the

U.S. car companies had forfeited any right to protection from Japanese competition by failing to show restraint in their bonus policy. The car companies responded that the bonuses were needed if

they were to attract and retain good

statements did not reflect Mr. Rea- talks.

had been made on whether the quo-William E. Brock, the U.S. trade tas would be allowed to expire next The debate surrounding the is-

sue, however, seems to be increasing the mood of confrontation between the car companies, the union and the Reagan administration only a few months before the start of talks on a new autoworkers wage

Industry analysts said the possi-bility that the quotas could be lifted next year might cause the union to put a higher priority on job security Vice president George Bush said put a higher priority on job security later, however, that Mr. Brock's than on large wage increases in the

German Strike **Could Challenge** Government

By James M. Markham New York Times Service

BONN - The world's bigges trade union is to start a strike Monday that could challenge Chancellor Helmut Kohl's conservative West German government.

The metalworkers' union, IG Metall, will mobilize 13,000 of its 2.5 million members for scattered walkouts in pursuit of a 35-hour workweek. The opening blows will be limited, but the government and businessmen fear they might snowball, endangering incipient eco-

nomic recovery. The union has moved cautiously. lts demand for a five-hour reduction in the workweek without loss of pay is regarded skeptically by some of its own members. But the union argues that at a time of minimal growth, available work must be spread around to conserve jobs and

open a few new slots. The employers' organization, Gesamtmetall, dismisses this argument. Thirty-five-hour weeks, it says, would raise labor costs by 20 percent, erode West Germany's international competitiveness and ultimately lead to a loss of jobs. The employers have been flourishing opinion polls showing a majority of

workers opposed to the 35-hour Stung by what it saw as management stonewalling, the union last week polled its members in Stuttgart and Frankfurt, rallying 80 percent support for a strike. That exceeded the 75 percent required by union bylaws, but the results were seen as moral support for the em-

battled union's leaders, not as enthusiasm for a walkout: The Stuttgart majority was the weakest in the union's history there. By selecting Stuttgart and Frankfurt for its opening moves, the union intentionally skirted the Ruhr industrial belt, where the troubled steel industry is centered and where high unemployment

makes strikes unpopular. 1G Metall aimed instead at the thriving automobile industry. The first strikes Monday will hit companies that supply parts to industry

giants such as Mercedes-Benz and Porsche,

The union hopes to create a swift ripple effect throughout the industry without exposing too many of its workers to lockouts.

The 35-hour slogan is a bit misleading. While industrial wages are reckoned on the basis of a 40-hour week, the average worker puts in roughly 32 hours, when generous vacations, holidays and time off for illuess are calculated.

The dispute, perhaps inevitably, has become heavily politicized. Mr. Kohl has dismissed the 35-hour proposal as "silly and dumb."

Mr. Kohl's Christian Democrats having made significant inroads into blue-collar bastions in last year's election, hope to appeal over the heads of union leaders to the wavering rank and file. But protracted strikes could embitter labor and management, rally other unions to the IG Metall banner and undo the economic upswing that Mr. Kohl is counting on to reap more working-class votes in next year's vital state election in North Rhine-Westphalia, where 17 mil-lion of the 61 million West Ger-

Hoping to recover lost blue-collar sympathies, the opposition So-cial Democrats have warmly embraced the 35-hour goal.

Without showing all their cards, the unions have made clear they would settle for less than their announced objective. And Gesamtmetall has hinted that it might consider shorter weeks and early retirement for older workers.

■ Union Leader's Warning

Hans Mayr, the union's chairman, said Sunday he hoped the strike would convince management to return to the bargaining table, United Press International reported from Smttgart.

"If this opportunity isn't grasped," Mr. Mayr said in a televi-sion interview, "then this strike could quickly leave deep scars."
Both sides have expressed a willingness in principle in recent days

Feldstein Disputes Regan Criticism of Fed Policy

By Peter Behr

Washington Post Service HOT SPRINGS, Virginia fartin S. Feldstein, the president's hief economic adviser, has disput-reasury Secretary Donald T. egan's criticism of the Federal eserve Board and warned that the olicies Mr. Regan advocates ould "lead to an increase in infla-

Mr. Feldstein, chairman of the resident's Council of Economic dvisers, said Saturday that he is irprised and concerned by Mr. egan's campaign to pressure the ederal Reserve to lower interest "I think it would be a terrible

ustake to try to push interest rates own by expansionary monetary olicy," Mr. Feldstein told reports covering the spring meeting are of the Business Council, a couping of leaders of the biggest. S. businesses and financial insti-

On Friday, Mr. Regan had aimed that if the central bank aintains its current monetary pol-

cies but would not comment on the administration criticism. Asked whether the Fed can control inter-est rates, Mr. Volcker replied, "Not

Mr. Feldstein, who has said he will leave the administration in July, suggested that Mr. Regan is out of step with the White House. "I think the Treasury secretary is speaking for himself and doesn't reflect the basic philosophy the

to nighten credit conditions slightly was not justified by economic con-

The comments by the officials followed the decision by banks last

so far that the economy could be third increase in the last two shifted to an easier stance, that thrown into a recession.

But he cantioned that he was not since October 1982.

shifted to an easier stance, that would simply drive up long rates in parallel to the increase in expected predicting that a recession would. Mr. Feldstein said, "I think he

The Federal Reserve chairman, can't look at current inflation and, Paul A. Volcker, also attending the if it's low, relax your guard and meeting, defended the Fed's poli-

the way people seem to think we

president has about monetary pohey," he said.

Mr. Regan and the White House spokesman, Larry M. Speakes, have said the Fed's recent decision

es "for months and months and week to raise the prime, or base, onths," interest rates would rise lending rate to 12½ percent, the

2,3472 4,3911 1,381,29 2,5786 45,442 2,57937 8,539 1,772,73 3,2544 52,4612

255 0,9013 189,115 1,2949 2,3864 7,837 14,0545 140,856

Corrects

Correc

Dollar Values

CURRENCY RATES

[the president] understands you "It's clear that if the financial markets think that the Fed has

inflation.

Like Mr. Feldstein, Mr. Volcker underscored the reason for the Fed's concern about the economy's strength, calling the expansion "probably the most rapid in the

Monsanto Seen Paying 46% of Herbicide Fund

CHICAGO — Nearly half of the pany was decided under a formula \$180-million settlement to com- that takes into account the total pensate Vietnam War veterans exposed to the herbicide Agent Orange is to be paid by Monsanto

and the percentage of dioxin in

Co., a magazine reported.

The veterans' soit - settled Monday just before it was to go to trial in federal court in New York charged that seven chemical companies were negligent in making the herbicide, used by the Unit-States to desoliate jungles dur-

Chemicals in the herbicide combined to form dioxin, one of the most toxic substances known to man. The veterans contended that their exposure to dioxin caused Amsterdam, Brussels, Milan, Paris, New York rates at 4:00 pm rare cancers, skin diseases and birth defects.

D.M. F.F. H.L. Gidr. 8.F. 5.F. Year 2 112.34 * 34.59 * 0.1226 — \$.52 * 134.30 *125.31 y 20.348 6.629 3.368 * 1879 — 34.48 24.68 * 1.239 11.300 * 2.344.4 4.312 78.14 1.3797 318.31 * 1.3597 1.300 * 2.344.4 4.312 78.14 1.3797 318.31 * 2.7785 8.54 1.718.00 * 1.375 54.65 7 2.294 236.05 317.30 * 4.972 * 27.35 * 18.893 * 372.65 * 34.992 * 27.25 * 2.497 1.344 47.50 * 106.61 — \$2.56 * 2.875 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 106.61 — \$2.56 * 0.1341 73.48 47.50 * 10 In agreeing to the settlement, none of the companies admitted any fault. The agreement is the largest personal injury settlement in U.S. history.

Business Insurance, an insurance-oriented weekly, quoted insurance industry sources as saying that Monsanto has paid \$81.9 million, or 45.5 percent percent, of the settlement. Monsanto is based in St. Louis, Missouri.

Dow Chemical Co., based in Midland, Michigan, has paid \$35.1 million, or 19.5 percent of the settiement, the sources said. The balance of a trust fund,

which is designed to compensate veterans and their families for ailments related to dioxin exposure was paid by five smaller chemical

The amounts paid by each comeach company's product, the magazine reported.

Dan Bishop, a spokesman for Monsanto, refused to comment on the amount or the formula for deciding the portions.

"The portion that each company will pay is under court seal," he said. "I can't confirm how it's going to be based. There are only two people in our company that do know, and they're under court order" not to release the information. Jim Burcke, a spokesman for Business Insurance, said the court order extends only to the compa-

nies, not their insurers. The five other chemical companies involved in the settlement and their shares of the fund, according

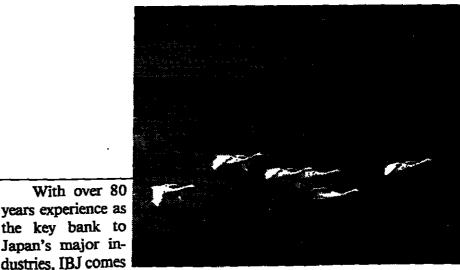
to Business Insurance, are: • Diamond Shamrock Corp., Dallas, \$21.6 million, or 12 percent. • Hercules Inc., Wilmington, Delaware, \$18 million, or 10 per-

• T.H. Agriculture & Nutrition Co., Kansas City, Kansas, \$10.8 million, 6 percent. · Uniroyal Inc., Middlebury,

Connecticut, \$9 million, 5 percent.

 Thompson Chemical Corp.,
 Kansas City, \$3.6 million, or 2 per-Thompson went out of business in 1969 but was represented by an unidentified insurer.

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partners, and credit analysis capabilities

have been honed to a fine professional edge.

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national currencies globewide.

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2,357,40 1,3795 11,271

6.5957 0.75735

NEW EUROBOND ISSUES

·			O I L	Ų.		· •	
Issuer	Amount (millions)	Mat.	Coup.	Price	Yield at offer	Price end week	Terms
FLOATING RATE NO	TIES		· ·	• •			
Caixa Geral de Depositos of Portugal	\$ 60	1994	1/4	100	~	97.88	Over 6-month Libor. Minimum coupon 5%%. Re deemable of par in 1989 and 1991, and callable a par in 1987. Commissions 26%.
Tokoi Asia	\$150	1999	1/6	100	-	99.55	Over 6-month Libor, Minimum coupon 556%. Redeemable at par in 1994 and 1996, and callable a par in 1985. Commissions 46%.
FIXED-COUPON							
European Investment Bank	Dix 150	1994	. 8	.991/2	8.07		Collable at 101½ in 1991.
SNCF	ECU 45	1994	11%	ореп		_	First collable at 100% in 1991. Price to be set May 15.
Finland .	NK 200	1989	11%	100	11%	991/4	Noncollable.
EQUITY-LINKED		_			·		
Investment ab Beijer	\$30	1990	9	98	9.40	96. 7 5	Noncalcible, Each \$1,000 band with 30 warrants, each extraordisciple until Sept. 1989 into company's series A shares at 150 NK each.
Nippon Shinpon	\$100	1999	open	open	-	99.00	Coupon indicated or 246%, Callable of 104 in 1987. Convertible at an anticipated 5% premium.
Royal Company	\$ 40	1999	open	open	- .		Coupon indicated at 3%, Callable at 103 in 1989. Convertible at an articipated 5% premium. Terms to be set May 15.
Sekisui House	\$ 50	1999	3	300	3	98.00	First collable at 103 in 1989. Convertible at a 4.615% premium.

Rate Rise Jolts Eurobond Market

(Continued from Page 13) deduct that holding from its own

At the same time, the central bank does not want to kill the FRN market for bank paper - where an estimated \$50 billion of securities is already outstanding.

"We have been giving careful thought to how some continuing market-making role might be reconciled with our basic objective of seeking to ensure that the capital resources of banks are held outside the system." the Bank of England wrote to the British Bankers Association, which forwarded copies to its members.

"We have concluded that to allow any broad alleviation from this policy of full deduction would be andermining our objective. This means that a concession needs to pe framed restrictively, and would apply to only a limited number of specialist institutions which aleady make a market in bank-issted capital instruments.

"Among these institutions we have identified two categories of ectivity which warrant separate consideration: Lead-management and underwriting of new issues in he primary market and marketnaking in the secondary market.

"For primary market makers, he concession would allow specialst institutions to hold issues of ther banks' capital for up to three nonths from the date of issue. . . . there would be no specific limit on he amount of capital held in this av. The size of holdings of indiidual issues would be subject to he arrangement made for large ex-

"For secondary market-makers,

be expected to represent a modest tors. If the liquidity is damaged, the proportion of the capital base that market is damaged. proportion of the capital base that would be agreed with individual institutions, case-by-case. This concession would only be available for those undertaking a specialist

er in bank issues. The central bank also warned: "In theory, no doubt, it would be open to individual banks to circumvent these restrictions by entering into artificial arrangements of swapping holdings, for example, through sale and repurchase transactions over reporting dates, etc. I am sure that the bank can rely on

ement to ensure that this does not occur, but we will reserve the right to call for details of the portfolio of the investments held at any time and not only on reporting dates Analysis were uncertain what impact the guidelines would have on the market for subordinated

bank FRNs. Most analysts were taken aback by last week's sell-off. believing that most institutions affected by the policy had used the past four mouths to realign their

by Japanese banks and French banks are not subordinated capital notes but rank as deposits and therefore escape the restrictions. Likewise, the FRNs of sovereign borrowers are also excluded. Thus, U.K. banks that have built up a portfolio of FRNs as a means of maximizing the return on their money-market positions need only substitute the acceptable FRN's for those on the proscribed list.

Dealers noted that prices of ing to pay would not assure a sucthese FRNs held much more steady cessful placement. he concession would allow a cer-last week. The big question worry-ain limited number of banks to ing dealers is how liquid the market naintain total holdings of bank-ssued capital up to a limited pro-notes of U.S., British and Canadian ortion of the holder's capital base banks. Liquidity - or confidence

The only dollar issues to be marketed last week - aside from a string of Japanese convertibles that failed to engender much excitement and a small warrant issue for function as a genuine market-maka Swedish company — were two

> Tokai Bank's offering of \$150 million of 15-year notes, which investors can redeem after 10 or 12 years, held up well, reflecting the fact that it does not fall within the Bank of England's guidelines as well as that its first coupon, which will be set at 1/2 point over six-month Libor, will be high. In addition, recent Japanese FRNs had the coupon set at a less attractive 1/2 point over the mean of the bid-

> The cost to the borrower, however, is not much different from what other Japanese banks have been paying as it paid lower commis-

sions to market the paper.

The small \$60-million FRN for Portugal was regarded as a disguised syndicated credit and attracted no demand.

The Deutsche mark sector was also virtually shuttered, battered by the woes of the dollar bond market and its own special worries. These include fears that the Bundesbank this week will raise its discount and Lombard rates and worries about the impact of the impending metalworkers strike in West Germany.

gest portion of the operation is a \$350-million loan from commercial A scheduled issue for France's CEPME was canceled following the rise of DM interest rates and worries that in the current de-pressed environment a coupon nancing loan being offered to com-mercial banks will run for eight gher than the borrower was will-

European Investment Bank marketed 150 million DM of 10-year bonds at 991/2 bearing a coupon of 8 percent and ended the week quoted

ree from deduction. Any excess, in that holdings can be bought or sold on Monday, bankers will meet ur opinion, would be deducted in without causing the price to move to set the calendar for the coming in month.

On Monday, bankers will meet to set the calendar for the coming month.

New York Times Service

NEW YORK — The U.S. bond rarket has endured a bout of panic fling that sent prices plummeting y about 21/2 points in less than tree hours of disorderly trading

U.S. CREDIT MARKETS

nd briefly raised the yield on reasury bonds to more than 13.75

Prices rebounded Friday after-oon to close little changed, but aders, investors and economists greed that the roller-coaster ride as a grim reminder that, without ave a limited capacity to absorb rates to stay high. age new offerings of Treasury se-critics and simultaneously finance growing economy.

Since mid-January, the combina-

Al Saudi Banque

Canadian Imperial Bank Group

U.S. Consumer Rates For Week Ended May 13

pushed interest rates up by one to almost two percentage points.
But Reagan administration officials prefer to emphasize the low rate of inflation over the last year, and they have insisted that there is gher interest rates, the markets no fundamental reason for interest

policy are becoming louder," said Victor Chang, a managing director at Ehrlich-Bober Government Se-

auctioned \$16.5 billion of new notes and bonds, the vast majority of which have not yet been placed with investors and are still in the hands of securities dealers and speculators. The latest sign of the wing demand for credit from the business sector was a \$1.4-bil-lion increase in business loans outstanding among large banks during the week of May 2.

U.K. Sees New Air Fare Cuts as a Victory for Freer Competition By Bob Hagerry

International Herald Tribune LONDON - Britain is increasing resembling a price war seems likely to break out soon.

man Airways announced plans last rope will take note.

week for round-trip fares of as low "It might make them revise their week for round-trip fares of as low dam flights, down £38 from the said Friday. cheapest ticket currently available.

The British government cheered the cuts as a minor but significant ly victory in its crusade for freer air

By Carl Gewirtz

PARIS - The years of credit

The latest borrower to tap the

market is the International Invest-

ment Bank, the Moscow-based

consortium bank owned by all

members of Comecon. It is seeking \$100 million and has asked Deut-

sche Bank's Luxembourg subsid-

iary to put it together. While the terms have not yet

been officially disclosed, sources

say the loan will run for seven

years. The grace period, during

which only interest will be paid, will total 51/2 years. Interest will be

set at % point over the London interbank offered rate.

The terms compare favorably

with the \$250-million loan for

Vneshtorg, the Soviet Union's for-

eign trade bank, which after long delay is due to be signed this week.

That operation runs for five years,

with a four-year grace period, and

bears a margin of % point over

The 1/2-point increase on the mar-

in that International Investment

Bank is to pay appears to be a trade-off for the longer maturity

and the longer grace period. Vnesh-

torg, which started out looking for

only \$100 million, initially had

been reported to be seeking seven-

year money and a five-year grace

period but was unwilling to pay the

4-point margin bankers insisted

At the same time. Hungary is

credits aimed at improving its in-

dustrial infrastructure to generate a

higher level of exports. The World

Bank is expected to provide a \$200-

million long-term loan, but the big-

World Bank, which is expected to

The \$315 million of the co-fi-

years and will carry a grace period

of four years. Interest will be set at

No more than one-third of the loan

the loan would be priced over the

more expensive prime rate, whereas

this time it is limited to a maximum of one-third of the total.

The World Bank's \$35 million of

the commercial loan will run for 10

years with an eight-year grace peri-

An additional \$100-million

equivalent will be supplied by Jap-anese banks as a yen loan in which the World Bank will take a 13-

percent stake. In all, the World

Bank will be providing \$248 mil-

The pickup in lending to Eastern

Europe comes after a near steady

decline since the end of 1981, when

April, 1984

Bank of Scotland

National Westminster Bank Group

lion of the total financing

take a \$35-million participation.

famine in Eastern Europe appear

to be definitely over.

don-bound tourists in Belgium and West Germany start riding the British Airways, KLM Royal train to Amsterdam before board-Dutch Airlines and British Caledo-ing a plane, airlines throughout Eu-

as £49 (\$68) for London-Amster- views," a British transport official Even so, he said, "we don't ex-

pect this to happen terribly quick-

Bank for International Settlements

show that the total at the latest

count, the end of 1983, is down to

\$48.9 billion, a new joint study by

the BIS and the Organization for

Economic Cooperation and Devel-

opment shows that outstanding

SYNDICATED LOANS

credit at mid-1983 was at least al-

most 25 percent higher than previ-

ously reported by the BIS, thanks

to nonbank trade credits extended

by suppliers and guaranteed by

Western government export credit

increasing portion of the bank debt

is guaranteed by Western govern-

ments through their export credit

The bank debt at the end of 1982

totaled \$57 billion and declined to

\$54.6 billion by mid-1983, the peri-

\$11.6 billion, or 20.2 percent, at the

end of 1982 and \$12.4 billion, or

was less sharp than the decline in

bank and nonbank debt guaran-

arranging \$650 million in a series of fied Eastern debt of \$72.1 billion at billion, has been a major problem

39.4 percent of the total of \$75.1

A similar picture emerges for all

The portion of bank loans guar-

rose to 11.9 percent at mid-1983

from 10.9 percent six months earli-

During this six-month period,

nonbank trade credits guaranteed

surged, rising 8.2 percent. This

billion at the end of 1982.

countries.

begun to emerge.

banks to be co-financed with the anteed by Western governments

11/4 points over Libor or 1/4 point surged, rising 8.2 percent. This over the prime rate of U.S. banks. compared with a less than 1-per-

22.6 percent, at mid-1983.

The new study also shows that an

competition, an effort in which its able starting July 1, let a passenger to choice European routes: other only major ally so far is the Netherbury an undated ticket and try to European nations lack a powerful

tion of stay is required. For both the British and the Dutch governments, greater freedom to offer discounts fits in with a But there are other motives, industry officials say.

The figures for Eastern Europe

are also understated, as the very

Germany are not recorded in either

Nevertheless, the figures make

clear that Western governments are

deeply engaged in financing trade

with the outside world and are

picking up an increasingly larger

The Federal Reserve Board is

sued a statement Friday saying that

U.S. banks have been directed to

The classification by the Fed, the

Comptroller of the Currency and

the Federal Deposit Insurance

Banking sources saw the move as

private sector interest arrears up to

"It could be a way of putting a

little pressure on the country," one

banker said. "It's a rich country,

they're sitting on a lot of oil," an-

tion, which is below that of "special

mention" but above "doubtful"

not connected with an accounting

rule requiring banks to classify

loans as "nonaccruing" when inter

That rule was the focus of atten-

■ Debts Reclassified

od covered by the joint report. Of as "substandard," but called the

this total, Western governments action part of a regular review pro-

During the same period, non- Corp. "reflected entirely economic

bank government-guaranteed trade and technical analysis by the nor-credits eased from \$18.1 billion to mal interagency group of bank ex-

overall bank lending, the portion of a prod to get Venezuela to bring

teed by Western governments rose date. A buildup in such arrears, to 41.4 percent of the total identi-

mid-1983. This compares with in negotiations between Venezuela

er when the debt crisis had only just and "loss," is a regulatory one and

by Western governments also est payments are more than 90 days

cent rise in overall bank lending to tion at the end of the first quarter

\$520.7 billion. As a result, govern- when there was a risk banks would

other said.

late, bankers said.

Western government guarantees of and its creditor banks.

\$17.5 billion, But as this slippage aminers," the statement said.

were recorded as guaranteeing cess, Reuters reported.

The British government faces constant pressure from small Brit-The BA and KLM fares, avail- ish airlines that want more access

The British hope that the new wants to fly. If no seats are avail- lines. In addition, the restrictive in the United States, where derego ing the pressure in its drive for cheap fares will divert tourists from able, the passenger must wait, nature of the new cheap fares allower European air fares, but noth-other European airports. If Lon-BCal's low fare will be available lows the airlines involved to fill only at off-peak hours, but no adempty seats without slashing fares vance booking or minimum duraacross the board. In another move toward freer competition, Britain announced

last week that it will no longer insist that European airlines consult one political commitment to free trade, another before asking the British government to approve new fares. Nicholas Ridley, the transport secretary, called that practice, enshrined in the European Civil Avia-

unnecessary controlling regula-British officials hope to find a new ally in the Belgian govern-ment, which they believe is sympa-Lending to Eastern Europe Picks Up; thetic to freer air competition. The British also are seeking a new,

tion Conference, "a totally

even-more-liberal air accord with the Netherlands. Elsewhere in Europe, the British face solid opposition from the maproposed minor relaxations of restrictions on air competition, but that effort has been referred to a

heavily traveled routes remain subconfirm a seat the day before he body of small, privately owned air- stantially above their counterparts lation in the late 1970s created a near free-for-all, huge losses for some airlines and less-frequent service for small cities. For instance, a one-way economy class ticket from

Paris to London on a major airline costs nearly \$100. Between New York and Washington, the equivalent can be had for \$60. Britain's Civil Aviation Author ity found in a study last year that fares on major routes from New York to Florida, Washington and Chicago were about 35 percent below comparable normal fares to Europe from London. On many less-traveled U.S. routes, however

there was little or no advantage over comparable European fares. Such comparisons need to be qualified by noting that cheap charter flights are much more common in Europe. That leaves less scope for scheduled airlines to sell discount tickets to tourists. Another major difference is that almost all major European airlines are state-owned: a government is unlikely to countenance a fare war that shoots down its flag carrier. So, most airline experts say, U.S.

style deregulation is not an option.

Study Says Level Is Underestimated leading industrialized countries Missing from the data are bank peaked at \$60.7 billion. Missing from the data are bank loans provided by institutions out-

aked at \$60.7 billion. loans provided by institutions out-While data published by the side the 15 major industrialized side the 15 major industrialized jor nations, particularly France countries; guaranteed credits pro- and Italy. The European Commuvided by governments aside from nity Commission earlier this year the 20 OECD members included in proposed minor relaxations of rethis report, and official credits provided by the International Monetary Fund and the multilateral committee for study. lending agencies such as the World

Banque de France

large West German credits to East Le gouverneur the BIS or the joint BIS-OECD

4 — L'acur d'inflorion et le déséquilibre extérieur, persistent bien qu'attèrué, ant et deux conséquences en 1983.

La première est qu'un nouveau rajustement monétaire au sein du Système Monétaire Europés a d'interverir au printemps.

La seconde conséquence concerne le niveau des réserves de change, nettes des engagements en devises, de la Banque de France et du Fonds de Stabilisation des engagements en devises, de la Banque de France et du Fonds de Stabilisation des Changes. Après deux armées durant lesquelles cos réserves nettes ant fortement disminué, elles ont pu être tout d'obord stabilisées, puis même légérement accrues (l'encasse-or est demeurée intocse, et elle est restrée indenne de tout engagement).

5 — La réduction du déficit des opérations courantes (et notamment calui de la bolance commerciale) est due à la combinacion de la reprise qui s'est manifestée over force aux Past-Unis, over plus d'hésitation en Altenagne et en Angleterre, et de la modération de demande intérieure dans notre pays.

6 — La réduction du sythme de l'expansion monétaire et celle de la destruction monétaire par l'exidérieur ont conduit à modérar dovartage encore la création de monnais par le créatir intérieur. Cella a été rendu possible par la développement du marché financier, le soutien des toux d'intérêt et l'encadrement du créatir.

7 — L'affabilissement de l'efficacité protique du rôle du prix de l'épargne et du créatit dans le régique de l'offre et de la demande de monnais pas de l'epargne et du créatit dans le régique de l'offre et de la demande de monnais pas de l'epargne et du créatit dans le régique de l'offre et de la demande de monnais pas l'epargne et du créatit dans le régique de l'offre et de la demande de monnais pas de l'epargne et du créatit dans le régique de l'offre et de la demande de monnais pas à renforcer peu à peu l'encadrement du créatit.

ceptability of the World Bank's to 29.7 percent of the \$652.3 billion as nonaccruing. new co-financing formula and a outstanding credit at mid-1983 In Caracas, the Venezuelan government of Hungary's credit from 27.9 percent of the \$637.3 erument said the decision to defrom 27.9 percent of the \$637.3 reassessment of Hungary's credit standing, the maturity and the grace period on the new loan are longer than the six-year life (with a clare some loans substandard will This picture of the debt situa- not affect its negotiations to re-Selling Said to Show Lack of Capacity schedule about \$15 billion in forthree-year grace period) set on ported up to now, is still imperfect. eign debts. Hungary's first co-financing last year. The margins on the new loan are also lower than the 14 points

is to be tied to the prime.

By Michael Quint

Passbook Savings_

"The cails for a responsible fiscal

on of rapid economic growth and carities. Even if bond prices stabi-rge Treasury borrowings have lize after their decline of about 14 better get to work on the delicit."

points since mid-January, he said, rates may still be higher by the end of the year.

Earlier last week, the Treasury

confidence in the Reagan adminis-

ent appears as a matter of record only.

U.S. \$ 20,000,000

Southwestern Energy Company

Medium Term Credit Facility

Arranged by

Kidder, Peabody International

Funds provided by

The Bank of Nova Scotia Group

Société Financière Européenne Finance Company N.V.

Agent Bank

International Westminster Bank PLC

Commerzbank

Trading today showed a loss of

over Libor or 1 point over prime set a year ago. Fees are also lower, totaling 11/2 percent versus 11/2 per-"You have only seen part of the ugly face of fear" now widespread in the capital markets, he added. cent last year.

Last year, lenders were offered unlimited choice of how much of

tration," said Gary Dorsch, credit market analyst at Chicago's Rouse Woodstock Inc. "The message to the White House is that they had the debt owed to banks in the 15

of a bank account in actually being there.

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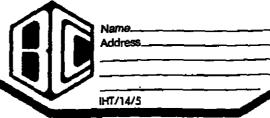
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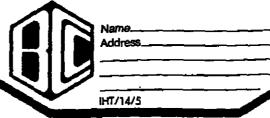
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Moët·Hennessy

At its meeting of 25 April 1984 the Board of Directors of Moët-Hennessy S.A. approved its financial statements for the year ended 31 December 1983. Net income for the year came to 101,499,000 francs.

It is planned to propose to the Annual General Meeting of Stockholders, to be held on 22 June 1984, to declare a dividend of 20 francs per share. After inclusion of prepaid tax (tax credit of 10 francs) this will represent a global income of 30 francs, up 11.1% on the previous year. However, in the meantime the capital stock had been increased by 12.5% by cash offer and by 1.7% following conversion of bonds into shares.

An interim dividend of 8 francs having already been paid on 6 February 1984, a further dividend of 12 francs (plus tax credit of 6 francs) will be made payable at the beginning of July.

CONSOLIDATED RESULTS OF THE MOET-HENNESSY GROUP

(france million) 1983 1982 5,741.0 Net sales 4.587.8 +25.1Operating profit.. 845.7 727.5 +16.2401.8 +18.5339.0 Net incom 543.6 +19.8Cash flow ...

Operating results, though showing a marked improvement on the previous year, were nevertheless affected by the consequences of years of shortages in the Champagne region, necessitating restric-tions on shipments and a material rise in production costs due to high grape prices in the poor harvest years. Furthermore, the Group also incurred the costs of reorganizing Armstrong Nurseries in the U.S.A. during the past year.

Champagne and wines

This division reported sales of 2,639,000,000 francs in 1983, against 2,176,00,000 in 1982, with an operating profit of 426 million francs and net income of 200 million francs.

Cognac and spirits

Cognac division's sales totalled 1,588,000,000 francs, against 1,220,000,000 francs in 1982. Operating profit and net income came to 308 million francs and 156 million francs respectively. The volume of shipments increased 6% in 1983.

Perfumes and beauty products

This division achieved further substantial sales growth of 18.75% to 1.413.000,000 francs.

The division reported an operating profit of 185 million france and net income of 88 million francs. It is further worth noting that group interest charges now represent

Other lines of business

only 4.7% of sales, compared with 5.3% in 1982.

Armstrong Nurseries reported sales of 100 million francs, less than for the previous year, when it was not consolidated in the financial statements of Moët-Hennessy. This company, which is currently in the throes of reorganization, suffered an operating loss of 39 mil-

Outlook

Provisional consolidated sales figures for the first quarter, on 31 March, 1984, are up 29%, with all divisions contributing to the

general Manager

TRADERS

FINANCIAL DIRECTOR

RETAIL MANAGER

MANAGING DIRECTOR

Attractive

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Companyoral yaith position

Warld-wide trading co.

International Bond Prices - Week of May 10 Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston Prices may vary according to market conditions and other factors. 17. 20 1 to hiv over Traversol lost to the Control of the Co ## 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 IRELAND IRELAND INA 16 Dec Phy 17 Sep 7 18 Jon 18 17 Sep 18 17 Sep ITALY AT 1 Am 19 100 117 Am 19 100 Am 19 A Accur Atlan Max Auder Conservate Di Credito Condito Di Credito Condito Di Credito Condito Dello Stato Conservate Dello Stato Colleviti I stato Ferrovic Dello Stato Sant Colleviti Corrocco Ferrovic Dello Stato F den 1900 den Ask NL Readfr AUS RochTx NL Reyce NL SFT Eqi NL Serice 1 SY Amm NY Yearn Newf Inc. 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hat. B.A., 13-15 Havies Street, Lauden W1Y 2001.

Doubt Until June

DOVER, Delaware -- It now will be June before Shell Oil Co. shareholders will know if they have been bought out by the Royal Dutch/Shell Group.

A Delaware Chancery Court judge on Friday ordered the investment advisers to Royal Dutch/Shell, the world's second-largest oil company, to review a \$5.5-billion offer for the 30.6 percent of Shell stock not already in Royal Dutch/Shell's hands in light of challenges to

The judge, Vice Chancellor Maurice A. Hartnett 3d. said that after a revised offer is mailed to shareholders, Shell stock owners who aiready had accepted the \$58-a-share offer would have 20 days to buy back

Of the 94.5 million shares sought by Royal Dutch/Shell, about 64.1 million have been tendered earlier in acceptance

The judge ruled that among other things, the revised offer must disclose the internal com-pany information that had led Shell to value its stock at \$91 a

Tenneco, a diversified oil and natural gas pipeline organization, spent \$11 million on a physical fitness center in its high-rise headquarters in Houston because we're in a tight labor market in this city and we want to compete telsen, chairman, told the "100

There are decentralized conglomerates, and then there is Koll-

Its international headquarters, in Stamford, Connecticut, is one room with six people, including Robert Swiggett, the chairman.

The 4,500 other employees work at 13 different divisions and subsidiaries, mainly in Glen Cove, New York, Northampton, Massachusetts, and Radford, Virginia. When a division grows beyond a few hundred employees, it is split, and workers get a bonus for mak-

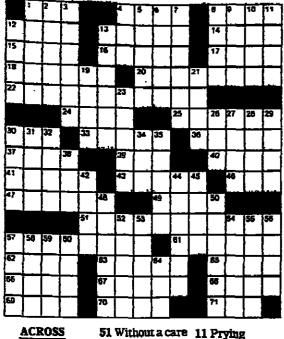
Each division has its own president and board of directors, with decisions made by consensus, not majority vote. Every product, ranging from photographic light meters IE YOU WOVED YOUR

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& New York Times, edited by Eugene Maleska

MR WILSON TAKES PILLS COUSE HIS BLOOD IS HIGH

JUMBLE THAT SCRAMBLED WORD GAME by Henri Arrold and Bob Lee

WHAT THE TALKING CAT SAID EVERY

TIME ITS MASTER

Jumbles: CHESS UNWED MISERY WALNUT

WEATHER

Answer: She admitted she was forty but she didn't do this -- SAY WHEN

<u>ASIA</u>

AFRICA

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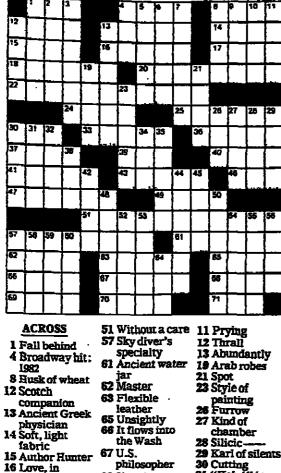
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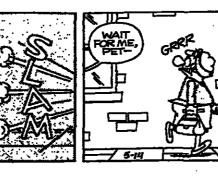
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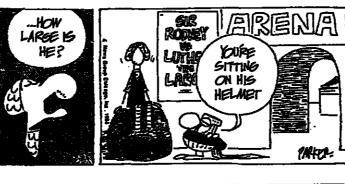
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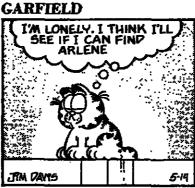


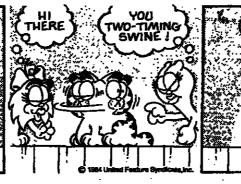


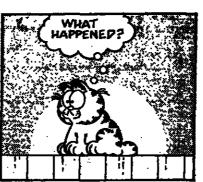


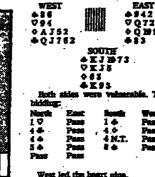












BOOKS

DIARIES OF MARIO M. CUOMO: The Campaign for Governor

By Mario M. Caomo. 484 pp. \$19.95. Random House, 201 East 50th St., New York, N.Y. 10022.

Reviewed by. Christopher Lehmann-Haupt

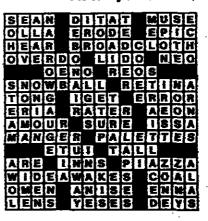
WHAT are the "Diaries of Mario M. Cuomo" like to read if you don't compare them with the competition - by which, of course. I mean the only other book by an elected official from New York to have appeared in the last three months?

The exercise of answering this question is a little like trying not to think about a spotted hippopotamus for the next five minutes. Almost everything about the Cuomo disries reminds us of Edward I. Koch's "Mayor." Its author happens to have been Cuomo's opponent in the political campaign for the 1982. New York Democratic gubernatorial nomination, to which the diaries are largely devoted to describing.

Each descriptive phrase aroused by Chomo's

book calls to mind its contrast with the competition - philosophical, introspective, self-critical, generous to friends and enemies alike, statesmanlike without being impersonal, visionary and — no, not boring. Not boring at all it is a rousing political battle that the diaries recall, an inspiring stretch win that saw the outbor course from so for behind that the the author come from so far behind that the faith and perseverance required to keep up the fight seem almost inspirational. (The author devotes relatively little space to what he de-scribes as the antichmactic campaign against the Republican candidate, Lewis E. Lehman, although he acknowledges that having seen it as a letdown nearly caused him to lose the election.) Even though we know the outcome from the start, the diary entries are detailed and emotionally intense enough to provoke a willing suspension of memory in the reader. We experience the campaign almost as if we hadn't been through it once before.

Solution to Friday's Pazzie



Moreover, there are entertaining vigitables to divert us. "I took a zap from an unexpected quarter today, Bill Haddad's daughter, Amenda, has been watching me on television. The un, has been watching me on television." The author records on Thesday, Sept. 7, 1982. "That's good — being viewed is all-important. She says I look like a frog — that's not so good. When was the last time a frog was elected governor? I used to feel had when people mistook me for AI D'Amaio (U.S. senator from New York's now U.B. he crateful for it."

from New York); now I'll be grateful for its Still, let us act for a while as if sported hippios were not on our minds. It isn't just the contrast of Mario Caono's diary-persona that makes him attractive. Oceasional passages like the following draw you into the very center of the

"Approaching 50. You will die as you must.
Maybe today," he reflects early in the morning
of Nov. 22, 1980. "If you believe in nothing. you are not sure you would want not to," he confirmes. So you try desperately to believe in 'An eternity of peace that's earned. But you don't understand eternity and you're afraid you have not earned it in any event. 'A full and happy life for what's left of it.' But what is there that I would want to 'fill' it with? Achievement? Has anything ever been so use-less as the momentary acclaim of a world that does not know you, no matter how 'publit'? Glory? The fear of shame and rejection is much more powerful a force than the desire for glory. Why? The world's condemnation should be as irrelevant as the world's acclaim. Then why? Why guilt over satisfaction?"

Passages like these lend the book a sense of integrity that makes one attend to the man and believe him, even when he's serving up the ment and potatoes of his political program his positions on violent crime, the death penality, race relations, supply-side economics and the balanced budget, among other issues. (These he hits only glancing blows in the actual diary entries but successful speeches he collects at the end of the book.) Passages like these lend the book a sense of

One actually believes the man, or at least believes that he means what he's writing. This is so extraordinary an experience in a genre where beliefs have come to mean tools or where beliefs have come to mean tools of images or masks you put on like eyeliner in the morning, that occasionally I found myself actually reaching for cynicism. Could it all be calculated? But it's a diary, not a memoir or a campaign antohiography. Mario Cuomo wrote it himself during quiet moments he managed to grab in the heat of a difficult campaign. It simply couldn't be contined. timply couldn't be contrived.

The man is whole, at least in this book. He gives new steaming to virtues so tried and traditional that one would have thought they had no life left in them. He breathes life into chicks. Either he is for real or the art of political deception has achieved imponderable depties of subtlety. One is inclined to trust him, if not always to agree with him, and this makes for menually refreshing reading.

Christopher Lehmann-Heapt is on the staff of The New York Times.

BRIDGE

By Alan Truscott

ON the diagramed deal, North should perhaps have opened one no-trump to avoid the impending rebid problem after one spade. As it was, he should have chosen between two no-trump, a slight overbid, or three spades, a

NORTH (D) 0 A M 8 4 3 0 K 7 4 A M 4

spade sapport. But North-South had an agreement that any four-club bid would be Octiver, and North could not resist the

temptation. He should have considered that South's acts. were not a major factor in assessing sizes prospects.

containing a wealth of secondround controls. So North's spectacular hidding, given the Gerber agreement, should have indicated something like

4 AKEX PAKEREEN OZ ez .

not have this hypothetical and he emerged with an over-hand. Perhaps expecting a trick whea West was eventual-stronger North hand, he over-by squeezed in the minor suits.

slight exaggeration of the reled his partner's sign-off and med Blackwood. North-South thus became

one of the very few partnerships in the history of the game to use Gerber and Blackwood

After most opening leads, ere not a major sector in as-sising slam prospects.

Ace-asking conventions backfired, Left to himself.

South would no doubt have sessond trick and a heart trick, since the normal heart play is the king followed by the jack and a linesse to follow. This approach would neutralize Q-9-x-x in the West

But West obligingly pro-duced the heart nine. Somebody had probably taught him to lead through strength, but a However, South was looking lead of damany's long suit is at the two major-sait kings, nearly always unwise. Here it and knew that his partner did solved all South's problems,

In Cincinnati, Cesar Cedeno hit

SPORTS BRIEFS

Benoit Wins U.S. Women's Marathon Trial

OLYMPIA, Washington (AP) — Joan Benoit, who underwent arthroscopic surgery on her right knee April 25, breezed to victory here Saturday in the U.S. Olympic women's marathon trial. The fastest women's marathoner in history with a clocking of 2:22:43 at Boston last year, Benoit broke away at the halfway point and finished unchallenged in 2:31:05.

Julie Brown was second in 2:31:42, while Julie Isphording, with a third-place 2:32:27, won the final spot on the U.S. squad at the Los Angeles Games, where the

women's marathon will be run for the first time ever.

"It was a very emotional day," said Benoit, 26. "I knew my legs could go at any point. The last six miles were very tough. Cardiovascularly I felt great. But my legs just would not go. I knew at six miles that if the pack came on me I'd be in big trouble. I just couldn't open my stride at all at that point." Crying at the finish line, Benoit said, "It was just a release of energy. Last

weekend I couldn't run, and I almost packed my bags and went home."

Meanwhile, Cathy Schiro, I6 and running in only her second marathon, set a world junior record — for women under 19 — by finishing in 2:34:24. Schiro holds U.S. high school records at 3 miles and 5,000 meters.

McEnroe Beats Lendl, 6-4, 6-2, in N.Y Final NEW YORK (AP) -- John McEnroe defeated Ivan Lendi, 6-4, 6-2, here Sunday

to retain his title in the Tournament of Champions tennis competition. It was McEnroe's seventh tournament victory of 1984 and his 32d consecutive match

In Saturday's semifinals, McEnroe thrashed Jimmy Arias, 6-1, 6-2, and Lendl humiliated Jimmy Connors, 6-0, 6-0. Against Lendl, Connors failed to win a game for the first time in his professional career. He reached dence only twice and won

only 16 points in the 52-minute match.

In Friday's quarterfinals, Leadt had subdued Surve Meister, 7-5, 3-6, 6-1, McEnroe downed Johan Kriek, 4-6, 6-3, 6-2, Connors beat Aaron Krickstein, 3-6, 6-2, 6-1 and Arias dismissed Brad Drewett, 6-2, 6-3.

Stadler, on 64, Leader by 4 in Nelson Golf

IRVING. Texas (UPI) - Craig Stadler shot a 7-under-par 64 Saturday to take a four-stroke lead into the final round of the Byron Nelson Golf Classic, Stadler began the day tied with three others, one stroke back of Dave Barr, whose 73 on Friday had given him a 140 mid-point total. Stadler had a second-round 71, George Archer a 69 and Mike Smith a 67.

Smith's 68 on Saturday left him alone in second at 209. Lee Trevino (a third-round 69), Tom Watson (66) and Mark O'Meara (66) were third at 211. Barr and Archer faded to 213s on respective third rounds of 73 and 72.

For the Record

Charlie Spedding won Sunday's London Marathon in a time of 2:09:56, easily outdistancing fellow Britons Kevin Foster and Denis Fowles. Norwegian Ingrid Kristiansen won the women's division in 2:24.26, the second-fastest women's time

Alaned Salch of Dibouti was the winner of Saturday's Paris Marathon in 2:11:58. edging Frenchman Jacky Boxberger. (UPI)

Mariners Snap Yankee Streak, 4-3, in 17 Innings

one-out 17th-imning fly Friday deep center and third on a wild night delivered Darnell Coles from pitch by Dave Beard before scoring third base to make the Seattle Mar- on Ken Griffey's pinch single. iners 4-3 victors over the New York Yankees, who had gone 16 innings the night before in downing Cleve-land. The Mariners ended a Yan-

kee winning streak at four games. Cales doubled into the left-field corner to open the 17th off Clay Christiansen (0-1) and moved to

FRIDAY BASEBALL third on Bob Kearney's sacrifice

bunt. After Spike Owen walked, Perconte lofted a fly to shallow center, and Coles beat Dave Wanfield's throw to the plate.

Mariners had gone ahead in the top land. Boddicker (3-3) walked four, of the inning on an RBI double by struck out none and did not allow Al Cowens. The Yankees lost a chance to win

when Toby Harrah failed to score from second in the 15th on Oscar Gamble's double off the wall in right-center. Gamble's drive at first seemed deep enough to be a homer, but hit off the top of the wall. Harrah mexplicably stood on sec-ond as the ball landed and was able to advance only to third. After Steve Kemp walked to load the and walked none before giving way to Rollie Fargers, who worked the bases, Thomas struck out Don

Mattingly and Smalley. "I should have been half-way," said Harrah afterward. "I screwed up. It's that simple."

Mariner centerfielder Phil Brad-

ley, who retrieved Gamble's shot and fired the ball toward the infield, was pleasantly surprised. "I didn't think we'd have a play," he said. "But I threw it in toward home hoping he fell down or some-

thing happened. Something did."
The Yankees, held scoreless since Dave Winfield's first-ming home run, erased a 2-1 deficit in the mas homered for the Red Sox.

Compiled by Our Staff From Dispatches minth when Mattingly reached on NEW YORK — Jack Perconte's an error, took second on a fly to Tigers 8, Angels 2

> In Detroit, Dave Bergman drove in three runs with a triple and a single and Milt Wilcox (4-9) pitched six scoreless innings to help the Tigers set a major league record for the best start in history with an 8-2 victory over California. Detroit's 26-4 record is the first time a team has ever racked up 26 victories in its first 30 games. The previous best start, 25-5, was by the 1955 Brooklyn Dodgers.

Orioles 4, A's 3 in Baltimore, Jim Dwyer and Winner Roy Thomas (3-1) Rich Daner drove in two runs each worked 4½ immings, giving up a and Mike Boddicker scattered home run to Roy Smalley that tied through 8½ innings in leading the the score, 3-3, in the 14th after the Orioles to a 4-3 trinuph over Oakan earned run. Tippy Martinez walked in a run in the ninth but recorded his fifth save.

> Brewers 4. Twins 1 In Milwanker, Robin Yount had three hits and three RBIs and Moose Haas scattered four bits over his eight innings of work as the Brewers broke Minnesota's sixgame winning streak with a 4-1

> decision. Haas (2-2) struck out four

ninth for his lifth save. Rangers 6, White Sox 1 In Cricago, Larry Parrish hit two home runs, including a grand slam, and Frank Tanana pitched a routegoing four-hitter in leading Texas over the White Sox, 6-1.

Royals 6, Red Sox 4 In Kansas City. Missouri, Jorge Onta drove in three runs to help the Royals end a seven-game losing streak with a 6-4 victory over Boston. Marty Barrett and Tony ArIn the National Legame, in Los
Angeles, rookie Dwight Gooden,
outdueling Fernando Valenzuela,
wem 3-for-3 to pace the Reds past

outducting Fernando Valenzucia, pitched a four-hitter and strack out 11 as New York beat the Dodgers, 2-0. The 19-year-old Gooden, who has struck out 10 or more in a game three times this season, walked two in going the distance for the fernando Valenzucia, a two-run homer and Dave Parker went 3-for-3 to pace the Reds past St. Louis, 4-3. Cardinal Tom Nieto, playing in his second major-league game, hit a home run.

Phillies 6, Padres 4 in going the distance for the first time and registering his first majortime and registering his first major.

Lezcano hit a two-min homer in the league shutout. It was his third vic
league shutout. It was tory in five decisions.

Brates 4, Pirates 2 In Atlanta, Dale Murphy hit a two-run home run with one out in the 10th to give the Braves a 4-2 verdict over Pittsbangh. Astros 3, Cabs 1

In Houston, Nolan Ryan and when he gave up back-to-back Frank DiPino combined on a five-hitter in the Astros' 3-1 victory over Mulios. It was the fourth straight Chicago.

victory over the Padres. Expes 7, Giants 5 In San Francisco, Tim Raines drove in three runs with a home run and a single and Tup Wallach also homered to power Montreal past the Gistats, 7-5. Winner Charlie Lea (5-2) lasted into the seventh.

loss for San Francisco. (AP. UPI)



OUT — Driver Michael Chandler, injured Friday in a crash (above) at the Indianspolis Motor Speedway, has not regained consciousitess; his condition is termed "serious but stable." Chandler's Eagle racer slammed into a wall as he practiced for Sunday's start of qualifications for the May 27 Indianapolis 500. He had been clocked at 200.713 unless per hour (323 kph) shortly before the crash.

SPORTS



lenter Kareem Abdul-Jabbar outmaneuvered Mike Sand rs of Phoenix for a rebound in Game 1 of the NBA Western onference title series. Abdul-Jabbar had 19 points in the akers' 110-94 victory Saturday in Inglewood, California.

Laker Spurts Beat Suns; **Celtics Take Knicks in 7**

Compiled by Our Staff From Dispatches a Danny Ainge jumper for an 83-62 inglewood, California -- ob McAdoo had 20 points, inuding 12 in the fourth quarter, id Kareem Abdul-Jabbar added i here Saturday to help the Los ngeles Lakers beat the Phoenix ms. 110-94, in the first game of

NBA PLAYOFFS

e National Basketball Associa on's Western Conference champi-1ship series. Game 2 in the best--seven series will be played here nesday night.

On Sunday in Boston, the Celtics on an Eastern Conference semifiil series with a 121-104 seventhme victory over the New York. nicks. The Knicks forced the deding game with a 106-104 victory riday in New York. Boston begins seven-game series Tuesday with filwaukee for the conference title Los Angeles, icing the game with final period's first 8½ minutes to roved its 1984 home-court playoff cord to 6-0. Mike McGee had 17

pints and Earvin Johnson 16 for e winners. Walter Davis led the ins with 25 while teammate Alin Adams had 15. Ahead, 64-62, with 7:51 remain-

g in the third quarter, the Lakers sed an 8-0 run to take clear conol for the first time in the game. Tightening its defense and imroving its rebounding. Los Anges led, 78-68, going into the final gried. Adams hit two hooks to art the fourth quarter, but the akers then rode their 16-4 run to

Celties 121, Knicks 104

th game of their series.

Bird also had 12 rebounds, 10 had also only 42 percent of its sists and 3 steals, while team seed games at New York, Boston sists and 3 steals, while team seed goal attempts.

ates Robert Parish added 22 and New York scored 8 straight ennis Johnson 21 points.

The Celtics took a 21-point lead shan 2 minutes midway through the

advantage.

New York's Bernard King scored 11 of his team-high 24 points in the third quarter, but the Knicks were mable to rally.

Boston led 67-52 at the half—

the most points scored in a half against the Knicks this season. In Friday's Game 6, in New

York, King scored 29 of his 44 points in the first half and the Knicks to hold off the Cehics, 106-King bettered the 40-point pla-

tean for the sixth time in 11 play-offs games this year. His 11-for-13 shooting in the first two periods lead A swarining defense limited him to five points in the third peri-od, but the Kanaks still held an 82-75 advantage going into the fourth King then tailied 10 points in the

16-4 fourth-quarter burst, in lift the Knicks to their largest lead of the night, 104-91, before the Cehics scored 9 straight. In the Boston rally, Bird, who had a teamhigh 35 points, was fouled as he drove in for a breakaway lay-up by Rory Sparrow, who was ejected for a flagrant foul.

Boston had a chance to tie the ne in the final seconds, but shots by Bird and Cedrick Maxwell were off the mark.

Bill Cartwright and Ray Williams both scored 14 points for New York, while Gerald Hender son had 20 and Kevin McHale 16 for the Celtics. The losers' all-star center, Parish, totaled only six

In Boston, Larry Bird scored 28

Kingsessived 18 points in the first quietter, which ended with the ay's first half as the Celtics took. Knicks up, 30-28, although the antrol early and defeated New Celtics were 11-of-17 from the floor ork, 121-104, in the deciding sev. (64.7 percent). In the first two.

idway through the third period, second period to take its largest ith 8 straight points, ending with lead of the half, 51-41. (UPI, AP)

MINNESOTA—Appounded the refirement

PHILADELPHIA—Out Horsid Cormi-chool wide receiver. SEATILE—Signed Kelly Powell, David Charpia, Tom Berbidl and Tom Tunnicliffs.

Transition Regiver, to a multiyear centract. Stened Tedit. Benfort, suard: David Croudia, detective beats: Tony Delect.nest tackle: Bob Duranti; Resbectur: Vince Emeruel and John Ka-mana, remnies bedat; Ricky Martin and Richard Muthany, wide receivers; Den McQuold, tackle: Tony Messanto, ticker: Non Mitchell and Ken Peters. Hight ends: Tom Toylor, suard, and Gory Torrette, quarter-

BASEBALL FOOTBALL

Consider Feetball League

WONT REAL-Stend Deany Ferdinant
value bock and Travor Bowles offerish
ckie, to three-year contracts; and Gles

and offersive linemos, to a two-year co FOOTBALL

USFL Standings EASTERN CONFERENCE

Chimpia, Tom Berbidi and Tom Turnstallife suariferbacks; Henry Konstz, Al Rickey Edwards, Richard Adilhosa, Cerins Strictland and Lederia Johnson, Instalna backs: Henry Thompson, Totty Strever, Sannie Ray Wilmer, Gene Underwehn Northon Hill and Stermon Cockroll, delegably backs; Archie Corler and Work Denies, Tinghockers; Cedric Mack, wide receiver and Craig Schiller, punited, and Stermon Cockroll, and Stermon Schiller, punited and Johnson, Stermon S Affantic W L T PcL PF PA 10 1 0 309 300 124 9 2 8 250 305 281 2 10 0 .167 199 246 2 10 0 .167 180 322 10 2 0 .833 346 199 8 3 0 .727 278 212 7 4 8 .636 202 209 J17 208 274

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Ken Posts and Reynolis Paru, defensive line 1994.
WASHINGTON-Speed LD. Gross and Orlands Levry, Ministribura: Herry Venezia, tockler Shown Bensylvssord and Sty Schnellenburger, center.
Useful States Postion League NEW JERSEY-Stand Ray Bradley, defensive lineaux. HOCKEY MONTREAL-Signed Steve Pennsy, good

COLUMN TO DOWN Cremer boseball cooch.

CHARLESTON Named Made Barnette

Islanders Tie Series With 6-1 Rout of Oilers ton Coach Glen Sather said. "I don't know Gillies scored on a backhander for a 3-1 lead. whether the first goal was kicked in, but it "That was a big goal at the time," Gillies Gretzky," said the Edmonton forward. "I'm UNIONDALE New York - On Thurs-

day, the New York Islanders went 60 minntes without putting a puck past Edmonton goalie Grant Fuhr. Sammay night, they scored in the first minute and led the rest of the way to thrash the Oilers, 6-1, and even the National Hockey League's Stanley Cup finals at a game apiece.

Clark Gillies, a 12-goal scorer during the

regular season, registered his first playoff hat trick (and his first since February 1979) to

STANLEY CUP FINALS

raise his post-season total to 10 goals in 18 games. "The goals I scored tonight were shots I missed during the season," he said. "I used to sit down at nights trying to figure it

Bryan Troutier scored two goals and set up

The result was the most loosided in a final series since 1973 and sent the Islanders off to Edmonton on a high note for Tuesday's Game 3 of the best-of-seven competition. "We got the early lead and they had to come to us," Trottier said. "It's a very different game when you get out in front. By scoring. early, we changed things around."

There was some question about the goal that got the Islanders started, since it went in off Trottier's skate; there is always the possi-bility of a washout by the referee in that kind

After Edmonton tested Islander goalie Bill Smith twice (and Willy Lindstrom shooting over the net on another prime chance), things quickly shifted the other way. Fuhr stopped Paul Boutilier's drive from the left-wing cir-cle and foiled rebounds by Mike Bossy and Trottier before Trottier got the puck past

"The puck came back and my stick and skate were there," Trottier said later. "I thought it hit my stick. I was surprised on the replay to see it come off my skate. I'm glad the ref thought it came off my stick." "We got behind right off the bat," Edmon-

series of penalties for retaliation that put us and we seemed to take over after that." against the Islanders."

the first two after only nine seconds, when pass for a power-play score. Edmonton's Glenn Anderson and New York's John Tonelli exchanged slashes. The to that fifth goal. He deflected a shot by Islanders benefited from the unbalanced sit- Anderson over the class and, as Anderson nations, scoring three power-play goals to skated past, cross-checked him from behind. none for the Offers.

started by Stefan Persson, returning after a swooned like a decapitated turkey. Lewis separated left shoulder. The rebound of his drive from the right point on a power play was converted by Greg Gilbert while Otler ty box. Charlie Huddy was in the box for tripping Gilbert to prevent a breakaway.

Persson had been sidelined since April 26, one of four Islanders who have suffered separated left shoulders. He returned a few days sooner than expected because he was wearing a specially fitted shoulder pad that was made two weeks ago and intended for Dave Langevin, another defensemen out They tried it on me last week, and I said,

"Why don't you give it to Stef?" Langevin said. 'He'll be ready to wear it before I will." Persson had been missed on the power play because of his heady work at the right

int. "When the puck came to me tonight I was thinking wrist shot or slap shot," said Persson, "I said, What the heck," and let it After eight minutes, New York, had a 10-2 margin in shots. But then play reversed com-pletely, and Edmonton halved the deficit

Gillies, however, took away the visitors' momentum with his first goal 91 seconds before the end of the period. Two Oilers pursued Pat LaFontaine, leaving Gillies with a clear path toward the net from the left wing circle. With Anders Kallur distracting Fuhr,

certainly was directed in. Then we ran into a said. "We were struggling to stay ahead, 2-1,

behind the eight ball. You can't do that The Islanders controlled the second period, with Trottier netting a backhander from Referee Bryan Lewis called 34 penalties, the slot and Gillies converting Denis Potvin's ning.

Smith, customarily theatrical, contributed Turning, Anderson flicked his stick back and At 5:48, New York made it 2-0 on a play it glanced off the helmet of Smith, who gave Anderson to two minutes for high sticking; he watched Gillies's goal from the penal-

> "He wouldn't have got caught, but he made contact with the helmet and the referee heard it." said Smith, whose dive to make mask contact with Anderson's off-target elbow induced a major penalty in the final game of last year's playoffs.

Gillies's third goal, which inspired the sell-out crowd of 15,861 to loss a varied collection of hats iceward, came off Trottier's third-period goal-mouth scup. Dave Semenko was in the penalty box on this one, after vainly trying to pick a fight with Duane Sutter, who turned turtle when the frustrated Semenko finally swung at him.

"We took some ridiculous penalties." Sather said. "All they did was put us in a

There were some memorable legal hits, as well as a lot of illegal ones. Edmonton's Mark Messier launched one of the best when he knocked Trottier off the puck in the first minute and fed Lindstrom for his near-miss. when Randy Gregg sent a long shot past Smith, who was screened by Kevin McClel-"I don't know who stormed who," Trottier said. "I got bumped off the bat by Mark Messier and they were going pretty good. But we got the goal and then we got another goal, and it made things very difficult for

> As usual, the Islanders made things difficult for Wayne Gretzky, the superstar who has gone without a point in the first two

either the hero or the goat. That's the way it's been for me on this team now for five years. But I can accept that. I can take the heat when we lose and the roses when we're win-

"I don't have any excuses," said Gretzky, who, for the past two regular seasons, has scored at a pace of better than 2 points per game. "We won the first game the other night, 1-0, and I thought I did my job. I thought I contributed. Tonight, I thought I was horrible, and I thought 18 other guys on the team weren't that good, either."

"When we get home, we'll be able to play Wayne under a variety of conditions and get him away from Trottier," Sather said.

"Wayne and Jari Kurri are having problems. They're not shooting or getting into the holes the way they're capable of. But they have to get themselves going. Everyone plays them aggressively. You have to skate to get away from that. You're an easy target when you're standing still." (WP, NYT)

N.Y. Islander's

First Partied—1, New York, Trottier 7

(Bossy, Boufiller), :S1, 2, New York, Gitbert 5 (LaFonfolne, Persent), 5:48 (pp.), 3, Edmonton, Green 3 (McCleitond), 15:06, 4, New York, Gittes 8 (Kaltur), 18:31, Peaal-Nes—Anderson, Edm. :09; Tonelli, NYI, :09;

Huddy, Edm 4:14; Hughes, Edm. 6:129; Jockson, Edm. 6:29; D. Sutter, NYI, 6:29; Hughes, Edm. 8:51; B. Sutter, NYI, 9:12; Jockson, Edm. 12:11; Gilbert, NYI, 12:11; Jensson, NYI, 12:29; AcCleitand, Edm. minor-malor, 15:42; D. Sutter, NYI, minor-malor, 15:42; D. Sutter, NYI, minor-malor, 15:42; Second Period—5, New York, Trottier 8 (B. Sutter, Fiotley), 4:52, 6, New York, Gittles 9 (Potvin, Bessyl, 16:48, Penalities—Jorsson, NYI, 5:37; Anderson, Edm. 16:05.

Third Period—7. New York, Gillies 10 (Trof

nor-major, 6:52; Dineen, NYI, minor-major, 6:52; Gretzicy, Edm, 8:30; Semenko, Edm, 15:16; Gilbert, NYI,

New York

Clark Gillies A hat trick got things figured out.

Leonard 'Officially' Retires After Comeback Fight

-Sugar Ray Leonard, 27, "officially retired for good" after having been knocked down (above) for the first time in his career by Kevin Howard in the fourth round of a fight Friday in Worcester, Massachusetts, Leonard's first bout in 27 months, Leonard, who announced his retirement in 1982 because of a detached retina in his left eye (his right eye's retina was treated three months ago for a slight perforation), stopped Howard on a ninth-round TKO. But the former welterweight titlist, 33-I lifetime, said: "I was apprehensive. I just don't have the qualities and concentration to be a champion. I had to find out. . . . It just wasn't there."

Blame Game: Look-Homeward Angle

By Thomas Boswell Washington Post Service

WASHINGTON - It's sad to watch your country amousetrap itself into a whopper of an international It's galling to watch the 1984 Olympics go down the

drain because two U.S. presidents apparently acted from narrow ideological bias rather than from a realispic sense of international strategy and management. Finally, it's downright infuriating to realize that, if the Olympic movement dies, the world community and history are probably going to lay more of the blame at the feet of the United States than at the

doorstep of the Soviet Union. Yes, the Russians will catch flak; everybody knows they're playing the sick game of two wrongs make a

But Americans are the ones who are going to get it in the neck if the Summer Olympics expire.

It hurts to say so, but the United States probably deserves more than half the blame.

When the teacher drags the two bad boys in from the playground after the fight, the question is always, "Who threw the first punch?"

This time, everybody knows the United States did. Thanks, Jimmy Carter. Hope you enjoyed the Mos-cow boycott. It didn't help Afghanistan. It heaped as much adverse international publicity on the United States for playing politics with the Games as it focused

negative attention on the Soviet intervention. The Olympics had been "politicized" before Carter's pious grandstand play, but never so blatantly or

Thanks, Ronald Reagan. Hope you enjoyed your simplistic "evil empire" cracks. Hope you got a kick out of watching the Russians squirm at the thought of visiting a Los Angeles Olympics full of anti-Soviet protesters and "safe houses" to lure defectors. Former Senator J. William Fulbright recently said

that, for decades, a central flaw in U.S. dealings with the Games? the Russians has been an unwillingness "to treat them seriously as a great nation. I say why can't we face the fact that Russia exists and we can't change it." For months the Russians have been angry at the

issues of anti-Soviet demonstrators and safe houses at the Olympics. "We have a free society," might serve as a paraphrase for the White House position. "We can't control our people." Nonsense.

Citizens of any nation, including the United States, are controlled and restrained in many ways. My fist's freedom ends where your nose begins. In preparing for the Olympics, in discussing what

restraints could and could not be put on demonstrators and anti-Soviet agitators in Los Angeles, the United States has treated the Soviet Union as an unequal, almost an illegitimate, nation. In effect, it tacitly allowed its most strident anticommunist groups to become a fist brandished in the Russians' faces. Now, State Department spokesmen profess shock

that the Soviet Union viewed such problems so seriously. The Russians' propaganda buzz phrase is "security problems." What they mean is that a great nation does not take its athletes into a setting where they are targets and public relations pawns of their foe; it is

femeaning, and Russians don't like insults any more Given the damage done by the 1980 boycott, it is surprising that U.S. officials would not understand how testy the Soviet Union would be about bringing

its team into an anti-Soviet media circus. Picture the possibility: If the United States had not quit the 1980 Olympics, a wink from the Soviet bosses could have produced tens of thousands of demonstrators in Moscow making life miserable for U.S. athletes. Would the United States have sent a team to Moscow to tolerate three weeks of "Warmongers Go Home" and "Down With the Imperialist American

You'd better believe it wouldn't. The United States doesn't have to take that stuff. That's not how you And the Russians don't think they should have to

take that stuff either. It's disconcerting to recall that, in 1980, the Russians gave every indication that they were serious about being good hosts. Perhaps they have been wait-

ing four years to figure out the best way to repay Carter's folly in kind. And now, after two ugly Olympic washouts in a row, what country is going to want the expense, the aggravation and the prospect of humiliation in hosting

A permanent neutral site for the Olympics is a nice enough idea. But, in the current steamy climate, the United States and the Soviet Union probably couldn't

Reagan administration's casual bemusement over the agree on a neutral site for a spelling bee. Perhaps it takes an essentially apolitical disposition to see all the ugliness and irony in these Olympic mişadventures.

If the Olympics now goes into a cold-war hibernation, that's bad enough. In time, what may be even harder to swallow is the growing realization of how much poor strategy and

sbortsighted U.S. thinking had to do with putting the

No-Hitter Foiled, but Reds Stay Hot

CINCINNATI - Pitcher Mario Soto was one strike away from a

no-hitter when he lost it — and his shutout — but Brad Gulden singled in the winning run in the bottom of the ninth inning here Saturday to give Cincinnati a 2-1 victory

The Reds' sixth straight victory was their 13th in their last 14 Soto (5-1) struck out 12 and

SATURDAY BASEBALL

walked 5 in winning his fourth straight game. George Hendrick ruined his no-hit bid by putting a two-out, 2-2 pitch over the left-center field wall to tie the score, 1-

Cincinnati had held a 1-0 lead since the third, when Ron Oester doubled, moved to third on Duane Walker's fly and scored on Dave

Parker's sacrifice fly. The crowd of 24.364 roared when Hendrick came to the plate. Soto ran the count to 0-2, but a few seconds later he threw a hanging his second home run of the year.

"As soon as I threw the pitch I said. "That's trouble." " Soto said. "I almost died right there. I just wanted to leave - I almost walked off the field. But my teammates gathered around me, told me to keep working and they might win the game for me."

With one out in the home ninth, they did. Dave Concepcion singled off Bruce Sutter (1-2) and stole second. Gulden lined sharply to right to score Concepcion with the game-

Soto got sparkling help from his defense. In the seventh, second baseman Ron Oester robbed Ozzie Smith of an infield single by charging and swatting Smith's weak grounder barehanded to first baseman Dan Driessen. And with one out in the eighth, Parker made a diving catch of a drive by Tom Herr in the gap in right-center.

Cubs 5, Astros 4 In Houston, pinch hitter Jody Davis, on a 3-0 count with two out

in the ninth, lined a towering threerun home run into the left-center field bleachers to propel the Cubs to a 5-4 victory over the Astros. Braves 4, Pittsburgh 3 In Atlanta, Claudell Washington

with one out in the eighth to lift the Braves over Pittsburgh, 4-3. Giants 8, Expos 7 In San Francisco, Jeff Leonard's two-run homer capped a four-run

homered in the first and tripled home pinch runner Albert Hall

Major League Standings AMERICAN LEAGUE

16 16 500 3 New York 15 16 484 3V: Lus Ampeles 15 19 441 5 Gooden and 14 576 14 552

althugh pitchers Mike Krukow (2-4), Greg Minton and Frank Williams underwent a 17-hit attack. Williams registered the final out for

Mets 4, Dodgers 3

In Los Angeles, George Foster hit his fifth home run of the season and solid relief pitching by Doug Sisk made an early lead stand up in New York's 4-3 victory over the Dodgers.

Phillies 3. Padres 2

ninth to break a 1-1 tie and give Philadelphia a 3-2 decision over the

In San Diego, Len Matuszek hit a two-out, two-run home run in the

Angels 4, Tigers 2 In the American League, in De-troit Fred Lynn grounded a seventh-in-ning single to right to drive in the tie-breaking run after Reggie Jackson had tied the score with a

towering two-run home run in the fifth, and California went on to a 4-

2 victory over the Tigers. Indians 8. Blue Jays 4 In Cleveland, Brett Butler singled in the game-winner in a threerun seventh as the Indians broke a six-game losing streak by beating Toronto, 8-4.

Twins 4, Brewers 2

In Milwaukee, Tim Teufel had four hits, scored one run and drove in another to lead Minnesota to a 4-2 decision over the Brewers. The

complete-game shutout by a Kan-Twins' seventh victory in eight sas City pitcher this season.

FRIDAY'S RESULTS AMERICAN LEAGUE 300 000 071-AMERICAN LEAGUE

Tonono and Yasi; Barnester and Fisk. W—
Tonana, 3-4. L—Barnister, 2-4. HRS—Texas,
Parrish 2 (4). Chicago, Luzinski (1).
Columnia 602 808 811—3 7 8
Saltimore 612 821 65:—4 6 1
Warren, Corroy (6) and Hearth; Boddicker,
7. Martinez (9) and Demosay. W—Boddicker,
3-3. L—Warren, 3-5.
Allonesate 686 100 606—1 4 6

Ulwaukse Din 629 1836—4 14 8 Hodge, Pashnick (5), Walters (8) and Hodge, Poshnick (5), Walters (8) and Laudner; Hoos, Fingers (9) and Sundberg. Will-Hoos, 2-1. L-Hodge, 1-1. HRs-Milnrebra, Teufel (4). Allwoukee, Yount (3). Seaton Det 29: 119-4 9 1 Kossos City Baz 208 192-4 6 1 Eckersley, Clear (6), Crawford (8) and Allerson, Geoman (8); Gunz, Guisenberry (7) and Wathan. W.—Gura, 5-1. L.—Eckersley, 2-4. HRs.—Basian, Borrett (1), Armos (8), Konsos City, Orta (3).

City, Orta (3). Scottle 691 000 100 900 910 01-4 12 2 New York 100 000 001 000 010 00-3 10 1 Young, Beard (7), Mirabello (11), Stanton 12), Thomas (13) and Kearney; Fontenet, Jowell (8), Brown (13), Christiansen (16) and first and the Giants went on to (4), Smalley (2). (Toronte et Cieveland, ppd., rain.) NATIONAL LEAGUE

> HRs-Cincinnati, Cedeno (2). St. Louis. 180 000 881 0-2 6 1 880 880 718 3-4 8 7 Atlanta
> Sol 300 116 3-4 3 7
> Candelerie, Rebinson (8), Tekuhve (9) and
> Pena; McMurry, Garber (8), Forster (10),
> ond Trevine, W.—Forster, 1-0, L.—Tekuhve, 1-3,
> HRs.—Pittsburgh, Frobel (3), Atlanto, Murphy (8),

Chicage 880 108 606—1: 5 1 Heesten 861 160 201:--3 6 1 Ruithven, Staddard (7) and Dovis; Ryan-OliPine (8) and Balley, W—Ryan, 3-2 L—Ruithven, 2-4. *Philadelphile* 878 878 823-4 9 3 San Diego et al. (2) 180 389—4 12 1 Cariton, Grass (7), Holland (8) and Virgil; Show, Gassage (8), Dravecky (9) and Kenne-dy, W—Holland, 1-2, L—Dravecky, 1-2, HRs—

delphia, Majuszek (3), Virgil (6), 810 001 600-2 11 9 Gooden and Fitzgerald; Volenzuela, Diaz (9) and Yeager, W.—Gooden, 3-2, L.—Valen-

902 821 100-7 9 6 Sue Prencisce 181 See 384-5 to 1 Leo, Lucos (7), Reordon (7) and Carter; Loskey, Martin (6), Lovelle (8), Williams (5)

break a four-game losing streak game was their first in County Sta-with an 8-7 decision over Montreal, dium since July 1982. Winner Mike dium since July 1982. Winner Mike Smithson (5-3) allowed two runs and eight hits over six innings.

his second save. Steve Rogers (2-2) was the loser

two-run homer and Dave Stewart won his first game of the year to lift Texas past the White Sox, 6-4. Stewart, who entered the game with an 0-6 record and 7.24 carned-run average, pitched five innings; he allowed four hits and two runs while walking six and striking out

Rangers 6, White Sox 4

In Chicago, Mary Foley hit a

Mariners 5. Yankees 0

In New York, Jim Beattie scattered six hits and Alvin Davis donbled in two runs as Seattle beat the Yankees, 5-0—the eighth time this year New York has been shut out. Beattle evened his record at 3-3 and turned in his third complete game and second shutout of the season.

A's 12, Orioles 2

Joe Morgan both hit three-run home runs in a seven-run sixth that powered Oakland a 12-2 rout of the three-run homer in the eighth. Bill Krueger pitched a six-hitter in his first appearance of the year. Dennis Martinez (1-2) took the loss.

Royals 3, Red Sox 0

In Kansas City, Missouri, Frank White hit two home runs to support the four-hit pitching of rookie Mark Gubicza, who posted his first major-league victory as the Royals downed Boston, 3-0. It was the first

Friday, Saturday Baseball Line Scores

Francisco, Davis (2), Mullins (1), Brenty (2).
SATURDAY'S RESULTS 909 926 110-4 11 1 919 100 996-2 8 2

Meliwaukee ase ase ase see 2 ?? ? Smittson, Filson (7), Dovis (9) and Engle; Coldwell, Tellmann (7) and Sundberg, W-Smittson, S-3, L.—Calawell, 4-3, Texas 22 ? 100 918—6 11 0 Calcope 100 618 829—4 7 2 Stewart, Bibby (6), Tablk (9) and Fisk, W-Stewart, 1-6, L-Hovi, 3-4, HRS—Texas, Foley (5), Chicope, Walker (3), Balines (3), Seattle New York 60 800 600—8 6 1

Criv, write 2 (s).

Oakless 918 987 851—12 14 1

Ballisners 987 999 910—2 6 8

Krusper and Heath; Underwood, D.Marlinez (4), Steworf (6), Palmer (8) and Roylord, W.—Krusser, 1-0, L.—D.Martinez, 1-2,

HRSs—Ooklend, Lanstord (4), Boths (1),

Moragan (2), Lopes (4),

NATIGNAL EAGUE

Chicase

St. Louis, Hendrick (2).

shiser (5). Zochry (7) and Firmple, W-Lynch,

Systrom, Campbell (S), Holland (9) and Vis all: Howkins and Kennedy, W—Cos

McWilliams, Guante (8) and Pena; Perez,

In Baltimore, Bruce Bochte and

Houston St 1971 1971 4 9 2 Roiney, Neles (7), LeSmith (9) and Lake, Davis (9); Niekra, DiPina (9), D. Smith (9) and Bailey. W—Noles, 1-1, L—DiPina, 1-2, ffR—Chicago, Davis (3).

7. 17] 180 000—4]1 8 103 007 000—3 7] 500 Francisco 482 601 602 47 2
Regent, James (3), Schatzsder (4), Hantis
(e), Reardon (8) and Carter; Krykow, Minton
(7), Williams (9) and Brenly, W—Krykow, 2-4,
L—Rosers, 2-2, HR—Sen Francisco, Leanard

L—Hawkins, 3-1. Pittsburgh

LANGUAGE

Eurolingo Spoken Here

By William Safire

The first person to use Europes to prefixes.) simism to my knowledge." reports

Eurocommunism blossomed in the 1970s to describe a tendency of president of the Federal Reserve some European Communists to act given in Geneva last year. To the was often attributed to Arrigo Levi best of his recollection, he was the of Italy's La Stampa, but he creditfirst to use it."

seized upon by the sherpa-watch- as a variation of ethnocentric. derived from China-watcher).

the favorite combining form of our time We may soon see mini-Communists wearing Euroskirts and suffering from megapessimism — but until someone looked at the gloomy of the three, Euro- has become too Gustavs and labeled the general much of an idée prefixe.

It all began with Euro-Asian, Europessimism. says Fred Mish of Merriam-Web- At this point. ster, who has the first citation in the a megarest. Here, however, is the Smithsonian Institution Annual opportunity for the reader of this Report published in 1898. Then the column to coin a word that is sure New International Encyclopedia of to be seized upon next fall or winter 1903 described the word nabob this as the perfect description of the way: "In the United Kingdom it is mood of what we used to call the applied derisively to Euro-Indians Continent: who, having amassed fortunes in India, returned to make an ostentatious display of their wealth." (Not until much later did the nabobs

natter negatively.) In the early 1950s, European began being used in the title of West- will then burst upon the scene as ern European defense and economic organizations, and the Euro- smiling ebullience of the Europeprefix exploded as the Common Market idea advanced. "It is the Eurobusinessmen who . . . are helping to create 'Europeanism,' wrote The Saturday Evening Post

in 1963, in a citation supplied by Ruth Kent at Webster's New

World. "The prefix Euro- appears WASHINGTON — "There is on every conceivable commodity — from Euroraincoats and Euro-beer to Euro-Union (a mutual among many important European fund) and Eurovision (the televibusinessmen and politicians, was described by Washington Post ecopean nations)." (O.K., the Satevelumnist Hobart Rowen recently as post writer used between when he meant among, but he was sensitive

Eurocommunism blossomed in Bank of New York, in a speech independently of Moscow. This ed the word to Franj Barberi in The Solomonlike nomenclature Milan's Il Giornale. It has faded, caught on in Switzerland and but we still have Eurodollars, also spread throughout meetings of the called Euromoney and Eurocur-undercollateralized bankers. Not rency: Eurocrass, who sit on piles of surprisingly, when time came for paper as other bureaucrats do, and preparations for this year's eco- the adjective Euro-centric, which nomic summit conference, it was has taken over from Europocentric

ing community. (A sherpa is a bu- In the spring 1984 issue of Amerreaucrat who works on the preparaican Speech magazine, the invalunions for a summit meeting, the able "Among the New Words" secname taken from the Tibetan tion includes Euromark and tribesmen who assist mountain Euroven (sorry, no Eurorubles), climbers. Watcher has replaced ob- Euromissile and a city planned to server in jaronic description of an be permanent headquarters of the outsider who is an authority: it is European Economic Community, Euroville, where presumably every Euro- rivals mini- and mega- as preteen-age girl will be leared at as a potential Euronymphet.

With Euro- turned into a prefixture, it was only a matter of time down-in-the-mouth demeanor as

At this point, the prefix deserved

Assume that Maggie Thatcher will patch up her quarrel with the Common Market over payments due, the Germans and French regain their creative fire, and the economic recession lifts. What word descriptive of the new, buoyant,

You got it. Now, quick, rush into print with the antithesis of Europessimism. That's how neologicians make it into word history.

New York Times Service

France's Embattled Press Lord

By Joan Z. Shore onal Herold Tribune

D ARIS -- For more than three decades Robert Hersant, the French press magnate, has quiety built his empire, attracting little nublic attention. But now, the prime target of a government bill to limit press ownership. Hersant himself is news.

The pressure has been buildng. Two years ago, there was a stir when Hersant acquired yet another press group, Le Dauphi-nè Libère, and last year he won a close encounter with the government over raising newsstand prices. The proposed bill, which seems certain to be passed, would force Hersant to divest himself of some major holdings. Although it would clarify and implement a 1944 measure designed to preserve the plurality and "transparency" of the press, it wouldn't alter the government monopoly on radio and television. Even Hersant's many detractors admit that he is bearing the brunt of this particular Socialist reform.

Some see Hersant as ruthless, arrogant and power hungry; others see him as a brilliant business man who has perhaps saved as many papers as he has sunk. At 64, he heads a group that includes three dozen publications and employs 10,000 people full-time, has a global turnover of four billion francs (almost half a billion dollars), and has a daily circulation of nearly two and a quarter million. Two of his dailies alone. France-Soir and Le Figaro, have just over 35 percent of the readership in Paris and slightly less than 15 percent in the provinces.

That kind of success, says Hersant, isn't appreciated in France. where making money (as opposed to inheriting it) is suspect. Born into a modest Catholic, Breton family, he is critical of the Catholic ethic. "The idea is that the last will be the first in heaven, and the rich will be punished. That's why France has always lagged behind the Protestant and Jewish capitalism of England, Germany and

Although he speaks very little-English, he travels to the United States several times a year for both business and pleasure, visiting newspaper offices and driving around the country. Two years ago, he bought France-Amérique,



Robert Hersant: "I'm no Citizen Kane."

a French-language weekly pub-lished in New York, but he says, "I don't know yet what I'm going to do with it.

He has a son who lives in Los Angeles with his family, and he is delighted that the latest of his 12 grandchildren was born in the United States. Hersant has five daughters and three sons, aged 25 to 42, born of three marriages. The first two ended in widowhood and divorce, respectively; the third has lasted 27 years.

A large, heavy-set man with a booming voice, Hersant's light blue eyes can be piercing or vague, as his interest peaks or ebbs. His temper is quick and scathing, but he can also distance himself from controversy and criticism with martyred air.

"I'm no Citizen Kane or Randolph Hearst," he says."I don't have mines, oil wells, factories. I'm only a man of the press. I'm obliged, condemned, to ensure its survival, with no outside subsidies or influence. It's a clean press, and I don't use it to develop other businesses.

There is also "the problem of my youth" - charges that he sympathized with the Nazi occupation and helped edit a pro-German youth magazine in 1940. He insists it was merely a six-week period in his life, that the magazine was not pro-German but pro-French, and that it was seized by the German authorities after the first issue.

He is proud of his first newspaper, L'Anto Journal, begun in the postwar French craze for cars. The publication road-tested new models and published reports that often led to lawsuits and advertising losses, he says. He feels it taught a lesson to the French about independence of the press. Cars are still a passion. He owns a BMW and a Mercedes-Benz. During the week, he lives in a large apartment in suburban

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Saint-Cloud, and every weekend he takes off to an estate in Normandy. He plays golf, likes classical music, dresses conservatively, and neither drinks nor smokes. "I live as if I were rich," he says, adding that a "press empire" in France is a fragile thing. "From year to year I navigate between fortune and bankruptcy."

He has never met Rupert Murdoch, the Australian press baron, but he says he would like to. "The difference," he says, "is that Murdoch lives in a country where in-formation is free. I have neither the same hopes nor possibilities. In France, information is supervised by the government, and that's been increasing since This allusion to the Socialist

victory three years ago is almost ironic, because several of the papers he purchased over the years were leftist and he was elected a deputy to the National Assembly in 1956 as a Radical Socialist. But in the late 1960s, when the Socialists began to forge a common program with the Communist Party, he became an independent. He was close to the former conservative French presidents Georges Pompidou and Valery Giscard d'Estaing, and unsuc-cessfully ran for office on the rightist ticket in 1978. He says he retains many leftist sentiments, but would never be a Socialist again. Staunchly pro-European, he is a candidate on the conservative list in the upcoming Europe-

an parliamentary elections. Hersant is reticent about what he would do if the press law is passed, but he indicates there are prospective buyers in case he has to sell off some papers. He also seems to be toying with the idea of other media — radio, for example, on which the government is beginning to loosen its grip; cable television, and telecommunications. The future, he says, may lie in multimedia groups.

His sons and two of his daughters work in the Hersant group, and he clearly hopes to keep it a family affair. "You know," he says. "it's the ultimate vanity of a man to believe that he is passing on the flame and that his children will perpetuate it: that his work will not be as fleeting as his life, but will continue to the end of time. Usually there's nothing to it - nothing; but it's consoling.

BEIJING POSTCARD Kafka Yes, Sartre No

By Jeff Bradley The Associated Press

B EUTNG — Kafka's "The Tri-al" and Joseph Heller's comic "Catch 22" reflect the absurdities and abuses of the capitalist system, and therefore are good reading for Chinese comrades

But Western literature in the stream-of-consciousness style and the existentialism of Jean-Paul Sartre are struck off the list for putting too much stress on the individual. That's part of the literary fallout six months after the Communist

Party launched a campaign against Jingshen wuran - "spiritual poliution" - from the West. Aimed primarily at the obscene and sexually explicit, the cleanup reverberated in libraries and bookstores where many contemporary Western works suddenly disap-

peared from shelves. In January, Culture Minister Zhu Muzhi wrote a self-criticism admitting "weak and lax" leader-ship in failing to halt the spread of the bourgeois, cultural pollutants. As the shutters came down after five years of post-Mao literary expansion, more than 100 detective novels published in the last two

The clampdown alarmed intellectuals, but hasn't approached the xenophobia of the 1966 Great Proletarian Cultural Revolution, in which "Hamlet" was condemned as a "poisonous weed."

years were withdrawn.

Some of the "in" authors untouched by the latest purge include Shakespeare and Dickens, whose works have sold more than a million copies, George Bernard Shaw, Romain Rolland, O. Henry, Graham Greene and Alex Haley.

But the authorities have fallen back on a Soviet model for the most recommended reading: Books should be optimistic and realistically portray social life and cus-

As the People's Daily, mouthpiece of the Communist Party, put it: "Western modernist schools of literature lack a concrete approach

The party journal Red Flag updated this judgment in its latest issue, singling out stream-of-consciousness as the worst Western influence on Chinese writers. It "cuts the inherent ties between literature and social life," it said,

stressing that art should reflect Communist ideology and portray the pioneers of modernization.

Some 20th-century imports car

They not only "lay have the con-flicts in life under capitalism and some aspects of the insurmountable mental crises in Western society but powerfully thrash the social

In a January speech, the Politburo member Hu Qiaomu, close to ... Chinese leader Deng Xiaoping. gradgingly approved other West-era artists be termed "sympathizers

Tagore were among those named. But Sartre, the French leftist phi hosopher, has been severely abused by the party for the sin of individualism — reflecting the Communist emphasis of sacrificing oneself

books are unavailable is because they have been sold out" and add-

"We publish those works that we think contribute to the progress of world culture and have a good influence on China's construction of a spiritual civilization. Those works that depict violence, sex and cer-

The state publication bureau says book sales reached a recent 2.1-billion yuan (\$1 billion) last year, with 36,000 new titles and 5.8 billion copies of books and pictures printed.

ping, which sold 54 million copies. The major foreign item was the 20-volume "Selected Works of

For pookworms, there are still surprises. Recently found in the Xinhua store was "a handbook or current Americanisms" including four-letter words and terms like "drop scid," which means take the

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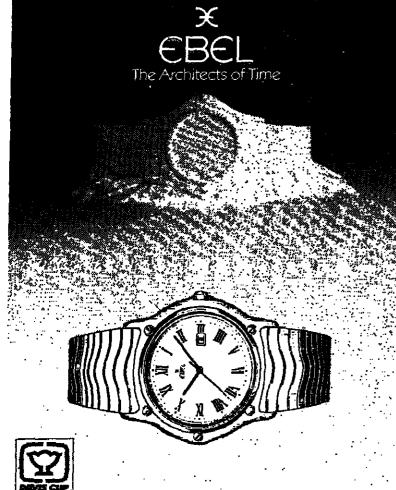
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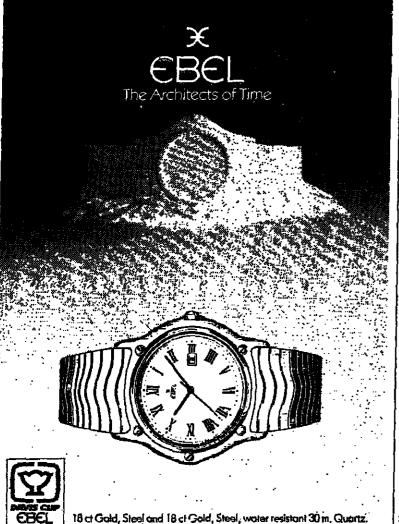
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